[TRANSLATION]

The items provided through the Internet pursuant to the laws and the Company's Articles of Incorporation for the Notice of the Annual General Meeting of Shareholders for the 17th Term

1) Notes to the consolidated financial statements

2) Notes to the financial statements

(from April 1, 2016 to March 31, 2017)

The above items are provided through the Bank's website (http://www.shinseibank.com) pursuant to the laws and Article 13 of the Company's Articles of Incorporation for the Notice of the Annual General Meeting of Shareholders for the 17th Term.

Shinsei Bank, Limited

(Translation)

Notes to the consolidated financial statements

<Basis for Presentation of Consolidated Financial Statements and Significant Accounting Policies>

The definitions of subsidiaries and affiliates are based on the 8th paragraph of Article 2 of the Banking Act and Article 4-2 of the Banking Act Enforcement Order.

1. Basis for presentation of consolidated financial statements

(1) Scope of consolidation

(a) Consolidated subsidiaries: 124 companies

Major companies:

APLUS FINANCIAL Co., Ltd.
Showa Leasing Co., Ltd.
Shinsei Personal Loan Co., Ltd.
Shinsei Financial Co., Ltd.
Shinsei Trust & Banking Co., Ltd.
Shinsei Securities Co., Ltd.
Shinsei Principal Investments Ltd.

In the current fiscal year, Innovation Engine Regenerative Medicalcare Investment Limited Partnership and 3 other companies were newly consolidated due to their formation, EISHIN KOGYO Co.,Ltd. was newly consolidated due to the acquisition of shares, and SL WING CO., LTD. and 1 other company were newly consolidated due to their increased materiality.

Lexia LLC and 33 other companies were excluded from the scope of consolidation due to liquidation, KIRAYAKA LEASING Co., Ltd. and 1 other company were excluded from the scope of consolidation due to the sale of shares, Maple Insurance Service Co., Ltd. was excluded from the scope of consolidation due to a merger with APLUS Co.,Ltd. and Aoba Godo Kaisha and 5 other companies were excluded from the scope of consolidation due to their decreased materiality.

(b) Unconsolidated subsidiaries: 97 companies

Major Company:

SL PACIFIC LIMITED

SL PACIFIC LIMITED and 57 other unconsolidated subsidiaries were operating companies that undertake leasing business based on the Tokumei Kumiai system (anonymous partnerships). Tokumei Kumiai's assets, profits and losses virtually belong to each anonymous partner but not to the operating companies, and Shinsei Bank, Limited (the “Bank”) and its consolidated subsidiaries (collectively, the “Group”) do not have any material transactions with these subsidiaries. Therefore, these subsidiaries were excluded from the scope of consolidation pursuant to Article 63, Paragraph 1, Item 2 of the Ordinance on Company Accounting.

Other unconsolidated subsidiaries were excluded from the scope of consolidation because they are immaterial to the financial condition or results of operations, such as assets, ordinary income, profit (the Group’s interest portion), retained earnings (the Group’s interest portion) and accumulated other comprehensive income (the Group’s interest portion) of the Group.

(2) Application of the equity method

(a) Unconsolidated subsidiaries accounted for by the equity method: not applicable

(b) Affiliates accounted for by the equity method: 20 companies

Major Companies:

Jih Sun Financial Holding Company, Limited

In the current fiscal year, ES Shipping Corporation and 3 other companies were newly included in the scope of application of the equity method due to their formation and GE Nissen Credit Co., Ltd. was newly included in the scope of application of the equity method due to the acquisition of shares.

Woori SB Tenth Asset Securitization Specialty Co., Ltd. and 4 other companies were excluded from the scope of application of the equity method due to liquidation.

(c) Unconsolidated subsidiaries accounted for not applying the equity method: 97 companies

Major Company:

SL PACIFIC LIMITED

SL PACIFIC LIMITED and 57 other unconsolidated subsidiaries were operating companies that undertake leasing business based on the Tokumei Kumiai system (anonymous partnership). Tokumei Kumiai’s assets, profits and losses virtually belong to each anonymous partner but not to the operating companies, and the Group does not have any material transactions with these subsidiaries. Therefore, these subsidiaries were excluded from the scope of application of the equity method pursuant to Article 69, Paragraph 1, Item 2 of the Ordinance on Company Accounting.

Other unconsolidated subsidiaries were excluded from the scope of application of the equity method because they are immaterial to the financial condition or results of operations, such as profit (the Group’s interest portion), retained earnings (the Group’s interest portion) and accumulated other comprehensive income (the Group’s interest portion) of the Group.

(d) Affiliates accounted for not applying the equity method: not applicable

(e) Companies not accounted for as affiliates even though the Group owns 20% to 50% of their voting rights: 1 company

Company:

ORTHOREBIRTH CO. LTD.

The objective for the Group to own the voting rights was merely to seek capital gain opportunities. Companies which meet the conditions of Paragraph 24 of “Guidance on Determining a Subsidiary and an Affiliate” (ASBJ guidance No.22) were not accounted for as affiliates.

(3) Fiscal year of consolidated subsidiaries

(a) Balance sheets dates of consolidated subsidiaries were as follows:

March 31:	94 companies
September 30:	2 companies
December 31:	26 companies
February 28:	2 companies

(b) Except for 1 subsidiary which is consolidated using its provisional financial statements as of March 31, those consolidated subsidiaries whose fiscal years end at dates other than March 31 are consolidated using their fiscal year end financial statements with appropriate adjustments made for material transactions that occurred during the period from the ending dates of their fiscal years to March 31.

All yen amounts are rounded down to millions of yen.

2. Accounting policies

(1) Recognition and measurement of trading assets/liabilities and trading income/losses

Trading account positions entered into to generate gains arising from short-term changes in interest rates, currency exchange rates or market prices of financial instruments and other market-related indices, or from price differences among markets, are included in “Trading assets” and “Trading liabilities” on a trade-date basis. The income and losses resulting from trading activities are included in “Trading income” and “Trading losses.”

Trading securities and monetary claims purchased for trading purposes are stated at market value at the consolidated balance sheet date and derivative financial instruments related to trading positions are stated at fair value based on estimated amounts that would be settled in cash if such position was terminated at the consolidated balance sheet date.

Trading income and trading losses include interest received and paid during the fiscal year and unrealized gains and losses resulting from the change in the value of securities and monetary claims purchased, and derivatives between the beginning and the end of the fiscal year.

In estimating fair values of derivative financial instruments included in trading accounts, liquidity risks and credit risks are reflected.

(2) Measurement of securities

(a) Securities for trading purposes (except for those included in trading accounts) are carried at fair value (cost of securities sold is determined by the moving-average method). Securities being held to maturity are carried at amortized cost (using the straight-line method) determined by the moving-average method. Investments in unconsolidated subsidiaries that are not accounted for by the equity method are carried at cost determined by the moving-average method. Available-for-sale securities are carried at fair value at the consolidated balance sheet date (cost of securities sold is determined by the moving-average method) in principle, with the exception of those whose fair value cannot be reliably determined, which are carried at cost determined by the moving-average method. Investments in partnerships and others are carried at the amount of the Group's share of net asset value based on their most recent financial statements.

Unrealized gain (loss) on available-for-sale securities is directly recorded in a separate component of equity, after deducting the amount charged to profit or loss by applying fair value hedge accounting.

(b) The values of securities included in monetary assets held in trust are determined by the same methods as stated in (a) above.

(3) Measurement of derivatives

Derivatives (except for those included in trading accounts) are carried at fair value.

(4) Measurement of other monetary claims purchased

Other monetary claims purchased held for trading purposes (except for those included in trading accounts) are carried at fair value.

(5) Depreciation

(a) Premises and equipment (excluding leased assets as lessee)

Depreciation of the Group's buildings and the Bank's computer equipment (including ATMs) other than personal computers is computed principally using the straight-line method, and depreciation of other equipment is computed principally using the declining-balance method. Principal estimated useful lives are as follows:

Buildings: 3 – 50 years

Others: 2 – 20 years

In addition, depreciation of tangible leased assets as lessor for the operating lease transactions is computed using the straight-line method over the leasing period assuming that residual values are the disposal price estimable at the end of the estimated lease period.

(b) Intangible assets (excluding leased assets as lessee)

The amortization method and the amortization period of identified intangible assets recognized by applying the purchase method to the acquisitions of Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd., and their consolidated subsidiaries are as follows:

(i) Showa Leasing Co., Ltd.

	Amortization method	Amortization period
Customer relationship	Sum-of-the-years digits	20 years
Sublease contracts	Straight-line	Subject to the remaining contract years

(ii) Shinsei Financial Co., Ltd.

	Amortization method	Amortization period
Trade names and trademarks	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	10 years

In addition, goodwill and negative goodwill, which were recorded prior to March 31, 2010, are amortized on a consistent basis primarily over 20 years. The total amount is written off in the fiscal year during which they occurred when the amount is not material.

Intangible assets other than the identified intangible assets mentioned above are amortized using the straight-line method. Capitalized software for internal use is amortized using the straight-line method based on the Group's estimated useful lives (primarily 5 years).

(c) Leased assets (as lessee)

Depreciation of leased assets under finance lease transactions that deem to transfer ownership of the leased property to the lessee, which are included in "Other intangible assets," is computed using the same method which is applied to owned properties.

Depreciation of leased assets under finance lease transactions that are not deemed to transfer ownership of the leased property to the lessee, which are included in "Other premises and equipment," is computed using the straight-line method over the leasing period. Residual values of leased assets are the guaranteed value determined in the lease contracts or zero for assets without such guaranteed value.

(6) Deferred charges

Deferred charges are accounted for as follows:

(a) Deferred issuance expenses for corporate bonds

Deferred issuance expenses for corporate bonds, which are included in other assets, are amortized using the straight-line method over the term of the corporate bonds.

Corporate bonds are stated at amortized costs using the straight-line method.

(b) Deferred issuance expenses for debentures

Deferred issuance expenses for debentures are amortized using the straight-line method over the term of the debentures.

(7) Reserve for credit losses

The reserve for credit losses of the Bank and the consolidated domestic trust and banking subsidiary has been established as described below based on the Bank's internal rules for establishing the reserve.

For claims to obligors who are legally bankrupt due to bankruptcy, special liquidation proceedings or similar legal proceedings ("legally bankrupt obligors") or to obligors who are effectively in similar conditions ("virtually bankrupt obligors"), a specific reserve is provided based on the amount of claims, after the charge-off stated below, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

For claims to obligors who are not yet bankrupt but are in financial difficulties and are very likely to go bankrupt in the future ("possibly bankrupt obligors"), except for claims to obligors with larger claims than a predetermined amount, a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

With regard to claims to possibly bankrupt obligors, restructured loans and certain claims for which the reserve has been provided based on the discounted cash flow method (as mentioned below) in previous fiscal years, provided that obligors' cash flows for debt service are reasonably estimable and the balance of claims to such obligors are at or larger than a predetermined amount, the reserve for credit losses is determined as the difference between (i) relevant estimated cash flows discounted by the original contractual interest rate and (ii) the book value of the claim (discounted cash flow method). In case where it is difficult to reasonably estimate future cash flows, the reserve is provided based on expected loss amount for the remaining term of respective claims.

For other claims, a general reserve is provided based on historical loan loss experience.

For specific foreign claims, there is a reserve for loans to restructuring countries which has been provided based on losses estimated by considering the political and economic conditions in those countries.

All claims are assessed by business divisions based on the predetermined internal rules for self-assessment of asset quality. The credit assessment division, which is independent from business divisions, conducts verifications of these assessments, and additional reserves may be provided based on the verification results.

The consolidated subsidiaries other than the domestic trust and banking subsidiary calculate the general reserve for general claims based on the actual historical loss ratio, and the specific reserve for claims to possibly bankrupt obligors, virtually bankrupt obligors and legally bankrupt obligors based on estimated losses, considering the recoverable value.

For collateralized or guaranteed claims of the Bank and certain consolidated subsidiaries to legally bankrupt obligors or virtually bankrupt obligors, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off in principle and totaled ¥109,727 million.

(8) Accrued employees' bonuses

Accrued employees' bonuses are provided in the amount of the estimated bonuses that are attributable to the current fiscal year.

(9) Accrued directors' bonuses

Accrued directors' bonuses are provided in the amount of the estimated bonuses that are attributable to the current fiscal year.

(10) Reserve for reimbursement of debentures

The reserve for reimbursement of debentures is provided for estimated losses on future reimbursement requests of debentures derecognized from liabilities.

(11) Reserve for losses on interest repayments

The reserve for losses on interest repayments of consolidated subsidiaries is provided for estimated losses on reimbursements of excess interest payments in the amount of the estimated future reimbursement requests based on past experience.

(12) Accounting for employees' retirement benefits

The difference between retirement benefit obligations and plan assets is recognized as liability for retirement benefits or asset for retirement benefits. The retirement benefit obligation is estimated using the benefit formula basis for attributing the expected benefits to the current fiscal year. The past service cost and the actuarial gain (loss) are amortized as follows:

Past service cost:	Amortized using the straight-line method over the average remaining service period (10.00－14.74 years) from the fiscal year of occurrence.
Actuarial gain (loss):	Amortized using the straight-line method over the average remaining service period (7.48－14.74 years) primarily from the fiscal year of occurrence.

Certain consolidated subsidiaries recognize voluntary retirement payments at the consolidated balance sheet date as retirement benefit obligations under the nonactuarial method.

(13) Revenue and expense recognition

(a) Revenue recognition for installment sales finance business

Revenue from installment sales finance business is recognized primarily using installment bases as follows:

(Contracts based on add-ons)	
Installment credit	Sum-of-the-months digits method
Guarantees (lump-sum receipt of guarantee fee when contracted)	Sum-of-the-months digits method
Guarantees (installment of guarantee fee)	Straight-line method
(Contracts based on credit balances)	
Installment credit	Credit-balance method
Guarantees (installment of guarantee fee)	Credit-balance method

(Notes)

1. In "Sum-of-the-months digits method," the commission amount regarded as revenue at the time of each installment payment is calculated by dividing the total commission

amount by the sum of the months of installment payments.

2. In “Credit-balance method,” the commission amount regarded as revenue at the time of each installment payment is calculated by multiplying the respective outstanding principal by a contracted commission ratio.

(b) Revenue and expense recognition for leasing business

For the finance lease transactions that do not deem to transfer ownership of the leased property to the lessee, lease income is recognized based on lease payments for each of the leasing period, and lease cost is calculated by deducting the interest allocated for each period from lease income.

With regard to finance lease transactions entered into prior to April 1, 2008, that do not deem to transfer ownership of the leased property to the lessee, leased investment assets are recognized at the amount of book values of those leased properties as of March 31, 2008, in accordance with the transitional treatment in the “Accounting Standard for Lease Transactions” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 13) that was effective from April 1, 2008. As a result, income before income taxes for the current fiscal year has increased by ¥122 million, as compared to what would have been reported if the revised accounting standard was applied retroactively to all finance lease transactions as lessor.

(c) Revenue recognition for interest on consumer lending business

Consolidated subsidiaries specialized in consumer lending business accrued interest income at the balance sheet date at the lower of the amount determined using a rate permissible under the Interest Rate Restriction Act of Japan or the amount determined using rates on contracts with customers.

(14) Translation of foreign currency-denominated assets and liabilities

Foreign currency-denominated assets and liabilities of the Bank are translated into Japanese yen at exchange rates as of the consolidated balance sheet date, except for investments in unconsolidated subsidiaries and affiliates not being accounted by the equity method which are translated at the relevant historical exchange rates.

Foreign currency-denominated assets and liabilities of consolidated subsidiaries are translated at exchange rates of their respective balance sheet dates.

(15) Hedge accounting

(a) Hedge of interest rate risks

The Bank applies the deferral hedge accounting for derivative transactions that meet the hedge accounting criteria for mitigating interest risks of its financial assets and liabilities.

The Bank adopted portfolio hedging to determine the effectiveness of hedging instruments in accordance with Industry Audit Committee Report No. 24 issued, in February 13 2002, by the Japanese Institute of Certified Public Accountants (the "JICPA"). Under portfolio hedging to mitigate the change in fair value, a portfolio of hedged items with common maturities such as deposits or loans is designated and matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedging is assessed by each group.

As for portfolio hedging activities to fix cash flows, the effectiveness is assessed based on the correlation between the base interest rate index of the hedged cash flow and that of the hedging instruments.

The interest rate swaps of certain consolidated subsidiaries which qualify for hedge accounting and meet specific matching criteria are not measured at fair value, but the net payments or receipts under the swap agreements are recognized and included in interest expenses or income.

(b) Hedge of foreign exchange fluctuation risks

The Bank applies either deferral hedge accountings or fair value hedge accounting for derivative transactions for the purpose of hedging foreign exchange fluctuation risks of its financial assets and liabilities denominated in a foreign currency.

Under deferral hedge accounting, which is in accordance with Industry Audit Committee Report No. 25 issued by JICPA, in July 29 2002, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currency and designating derivative transactions such as currency swap transactions, fund swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

The Bank also applies deferral hedge accounting and fair value hedge accounting to translation gains (losses) from foreign currency assets of net investments in foreign unconsolidated subsidiaries, affiliates and securities available for sale (other than bonds denominated in foreign currencies) when such foreign currency exposures recorded as assets are hedged with offsetting foreign currency liabilities and the liabilities equal or exceed the acquisition cost of such foreign currency assets.

(c) Intercompany and intracompany derivative transactions

Gains (losses) on intercompany and intracompany derivative hedging transactions between the trading book and the banking book are not eliminated as offsetting transactions with third parties are appropriately entered into in conformity with the nonarbitrary and strict hedging policy in accordance with Industry Audit Committee Reports No. 24 and No. 25 of the JICPA. As a result, in the banking book, realized gains (losses) on such intercompany and intracompany transactions are reported in current earnings and valuation gains (losses) that meet the hedge accounting criteria are deferred.

(16) Consumption tax

The national consumption tax and the local consumption tax of the Bank and its consolidated domestic subsidiaries are excluded from transaction amounts.

(17) Consolidated corporate tax system

The consolidated corporate tax system is adopted by the Bank and certain consolidated domestic subsidiaries.

(Translation)

Change in accounting policy

(Application of the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016”)

Due to the revision of the Corporation Tax Law, certain consolidated subsidiaries have applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No.32, June 17, 2016) from the beginning of the current fiscal year, and changed the depreciation method of facilities attached to buildings and structures which acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on profit and loss for the current fiscal year was immaterial.

(Additional information)

(Application of the “Implementation Guidance on Recoverability of Deferred Tax Assets”)

From the beginning of the current fiscal year, the Group has applied the “Implementation guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No.26, March 28, 2016).

(Reverse Stock Split, Change in the Number of Shares Constituting a Minimum Trading Unit and Partial Amendment of the Articles of Incorporation)

Board of Directors Meeting held on March 22, 2017, the Bank resolved to recommend a reverse stock split, a change in the number of shares constituting a minimum trading unit and a partial amendment of the Article of Incorporation at the 17th Annual General Meeting of Shareholders scheduled for June 21, 2017.

1. Reverse stock split

(a) Reason for reverse stock split

All domestic stock exchanges in Japan including the Tokyo Stock Exchange are engaged in initiatives for issuing companies to reduce the number of shares constituting a minimum trading unit from 1,000 shares to 100 shares by October 2018, in its “Action Plan for Consolidating Trading Units.”

Following this initiative, as the Bank is a company listed on the Tokyo Stock Exchange, it will reduce the number of the Bank’s shares constituting a minimum trading unit from 1,000 shares to 100 shares. The Tokyo Stock Exchange defines the ideal price range per investment unit as equal to or greater than 50,000 yen and less than 500,000 yen. In order to achieve this appropriate price level per a minimum trading unit of the Bank’s shares, the Bank will also undertake a 1-for-10 reverse stock split.

(b) Details of reverse stock split

(i) Class of shares to be reversed: Common shares

(ii) Reversal ratio: the Bank will undertake a 1-for-10 reverse stock split on October 1, 2017 based on the number of shares held by shareholders recorded in the Register of Shareholders as of the end of the day on September 30, 2017.

(iii) Decrease in number of shares due to reverse stock split

Number of outstanding shares before reverse stock split (as of March 31, 2017)	2,750,346,891 shares
Decrease in number of shares caused by reverse stock split	2,475,312,202 shares
Number of outstanding shares caused by reverse stock split	275,034,689 shares

Note: "Decrease in number of shares caused by reverse stock split" and "Number of outstanding shares after reverse stock split" are theoretical figures calculated based on the number of outstanding shares before reverse stock split and the reverse stock split ratio.

(c) Treatment when there is less than one share

If fractional shares of less than one share arise as a result of the reverse stock split, such shares shall be subject to a bulk sale in accordance with the Companies Act. The proceeds from the sale will be distributed to the shareholders in proportion to their respective fractional shares.

(d) Aggregate number of authorized shares on the effective date

In accordance with a decrease in the number of outstanding shares caused by reverse stock split, the aggregate number of authorized shares will be decreased at the same rate (one-tenth) as that of reverse stock split as of October 1, 2017.

Aggregate number of authorized shares before change	4 billion shares
Aggregate number of authorized shares after change (as of October 1, 2017)	400 million shares

(e) Conditions for reverse stock split

The reverse stock split is subject to approval at the 17th Annual General Meeting of Shareholders to be held on June 21, 2017 together with the item related to the following "3. Partial amendment of the Articles of Incorporation."

2. Change in the number of shares constituting a minimum trading unit

(a) Reason for change

The Bank will implement this change in order to follow the action plan by all domestic stock exchanges as above mentioned in, "1. (1) Reason for reverse stock split."

(b) Details of change

The Bank will reduce the number of the Bank's shares constituting a minimum trading unit from 1,000 shares to 100 shares.

(c) Date of change

October 1, 2017.

(d) Conditions for change

The change in the number of shares constituting a minimum trading unit is subject to approval at the 17th Annual General Meeting of Shareholders to be held on June 21, 2017 together with the item related to, "1. Reverse stock split" and the item related to the following "3. Partial amendment of the Articles of Incorporation."

3. Partial amendment of the Articles of Incorporation

(a) Details of partial amendment of the Articles of Incorporation

The Bank will reduce the aggregate number of authorized shares from 4 billion shares to 400 million shares and change number of shares constituting a minimum trading unit from 1,000 shares to 100 shares.

The Bank will set supplementary provisions whereby these amendments take effect on October 1, 2017. The supplementary provisions shall be deleted after the day they have taken effect.

(b) Conditions for change

The amendment of the Articles of Incorporation is subject to approval at the 17th Annual General Meeting of Shareholders to be held on June 21, 2017 together with the above-mentioned item related to, “1. Reverse stock split.”

4. Schedule for a reverse stock split and change in the number of shares constituting a minimum trading unit

Resolution at the Board of Directors meeting	March 22, 2017
Resolution at the Annual General Meeting of Shareholders	June 21, 2017 (provisional)
Effective date of the reverse stock split	October 1, 2017 (provisional)
Effective date of change in the number of shares constituting a minimum trading unit	October 1, 2017 (provisional)
Effective date of change in aggregate number of authorized shares	October 1, 2017 (provisional)

5. Effect on per share information

Per share information for the current fiscal year would be as follows, assuming that the reverse stock split had taken place on the beginning of the current fiscal year.

Common shareholders’ equity per share was ¥3,163.89.

Profit attributable to owners of the parent per common share was ¥194.65.

Diluted profit attributable to owners of the parent per common share was ¥194.64.

(Translation)

Notes

(Consolidated Balance Sheet)

1. Investments in unconsolidated subsidiaries and affiliates were as follows.

(Millions of yen)

	Carrying amount
Equity securities	¥49,971
Other	2,788

(Note) Investment in a jointly controlled entity of ¥427 million was included in equity securities.

2. For securities held in connection with securities borrowing transactions with or without cash collateral, securities purchased under resale agreements and securities accepted as collateral for derivative transactions, where the Group has the right to sell or pledge such securities without restrictions, ¥6,667 million of those securities was held by the Group at the consolidated balance sheet date.

3. Loans and bills discounted included loans to bankrupt obligors and nonaccrual delinquent loans, totaling ¥4,618 million and ¥33,358 million, respectively.

Loans to bankrupt obligors are loans, after write-off, to legally bankrupt obligors as defined in Article 96, Paragraph 1, Items 3 and 4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965) and on which accrued interest income is not recognized as there is a substantial doubt about the ultimate collectability of either principal or interest because they are past due for a considerable period of time or for other reasons.

Nonaccrual delinquent loans are loans on which accrued interest income is not recognized, excluding loans to bankrupt obligors and loans for which interest payments are deferred in order to facilitate the rehabilitation of obligors or to assist in the financial recovery of obligors.

Installment receivables in “Other assets” included claims to bankrupt obligors and nonaccrual delinquent claims, totaling ¥113 million and ¥9,306 million, respectively, at the consolidated balance sheet date.

4. Loans past due for three months or more of ¥1,728 million were included in loans and bills discounted.

Loans past due for three months or more are loans other than loans to bankrupt obligors and nonaccrual delinquent loans for which the principal and/or interest payments are past due for three months or more.

Installment receivables in “Other assets” included claims past due for three months or more totaling ¥423 million at the consolidated balance sheet date.

5. Restructured loans of ¥32,023 million were included in loans and bills discounted.

Restructured loans are loans other than loans to bankrupt obligors, nonaccrual delinquent loans or loans past due for three months or more, on which concessions such as reduction of the stated interest rate, a deferral of interest payment, an extension of the maturity date, debt forgiveness, or other agreements which give advantages to obligors in financial difficulties have been granted to obligors to facilitate their rehabilitation.

Restructured installment receivables of ¥184 million were included in “Other assets.”

6. The total amount of loans to bankrupt obligors, nonaccrual delinquent loans, loans past due for three months or more, and restructured loans was ¥71,728 million.

The total installment receivables in “Other assets” of claims to bankrupt obligors, nonaccrual delinquent claims, claims past due for three months or more, and restructured claims were ¥10,028 million.

The amounts of claims mentioned in Notes 3 through 6 above represent the amounts before deduction of the reserve for credit losses.

7. Bills discounted, such as bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange contracts bought, are accounted for as financing transactions in accordance with Industry Audit Committee Report No. 24 issued February 13, 2002 by the JICPA, although the Group has the right to sell or pledge them without restrictions. The face value of such bills discounted held was ¥3,265 million.

8. The total principal amount of loans accounted for as a sale through loan participations was ¥8,359 million as of March 31, 2017. This “off-balance sheet” treatment is in accordance with Report No. 3 issued by the Framework Committee of the JICPA on November 28 2014. And the total principal amount of such loans in which the Bank participated was ¥5,927 million as of March 31, 2017.

9. Assets pledged as collateral were as follows:

Cash and due from banks	¥ 10 million
Trading assets	730
Monetary assets held in trust	508
Securities	563,096
Loans and bills discounted	87,524
Lease receivables and leased investment assets	23,515
Other assets	57,190
Tangible leased assets as lessor	6,815

Liabilities collateralized were as follows:

Deposits	¥ 1,071 million
Payables under repurchase agreements	36,467
Payables under securities lending transactions	267,414
Borrowed money	328,769
Corporate bonds	2,000
Other liabilities	15
Acceptances and guarantees	954

In addition, ¥60 million of cash and due from banks and ¥47,770 million of securities were pledged as collateral for transactions, including exchange settlements, swap transactions, replacement of margin for futures transactions and other.

Also, ¥3,832 million of margin deposits for futures transactions outstanding, ¥11,332 million of security deposits, ¥48,856 million of cash collateral paid for financial instruments, ¥92 million of margin on foreign exchange and ¥11,994 million of cash collateral for Zengin-net were included in “Other assets.”

10. Nonrecourse debts in consolidated special purpose companies were as follows:

Borrowed money	¥ 49,876 million
Corporate bonds	2,000

Assets corresponding to nonrecourse debts were as follows:

Securities	¥ 66,983 million
Other assets	6,987

Assets corresponding to nonrecourse debts included certain amount of "Assets pledged as collateral" in Notes 9.

11. The Bank and certain of its consolidated subsidiaries establish credit lines for overdrafts and issue commitments to extend credit to meet the financing needs of their customers.

The unfunded amount of these commitments was ¥3,537,749 million, out of which the amount with original agreement terms of less than one year or which were cancelable was ¥3,255,887 million.

Since a large majority of these commitments expire without being drawn upon, the unfunded amounts do not necessarily represent future cash requirements. Many such agreements include conditions granting the Bank and consolidated subsidiaries the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

In addition, the Bank obtains collateral when necessary to reduce credit risk related to these commitments.

12. Installment receivables of ¥541,401 million were included in "Other assets."

13. Accumulated depreciation on "Premises and equipment" was ¥60,703 million.

14. Deferred gains on "Premises and equipment" deducted for tax purposes were ¥30 million.

15. "Tangible leased assets as lessor" and "Intangible leased assets as lessor" are leased assets for the operating leases transactions as lessor.

16. Software in progress of ¥18,365 million were included in "Software."

17. Goodwill and Negative goodwill are offset and presented as "Goodwill" in intangible assets by the net amount. The gross amounts were as follows:

Goodwill	¥18,492 million
Negative goodwill	3,808
Net	¥14,683 million

18. Subordinated debt of ¥12,400 million was included in "Borrowed money."

19. Subordinated bonds of ¥31,400 million were included in "Corporate bonds."

20. The amount of guarantee obligations for privately placed bonds (Paragraph 3 of Article 2 of the Financial Instruments and Exchange Act), out of corporate bonds included in the "Securities" stands at ¥1,000 million.

21. Total obligations to the Directors and Audit & Supervisory Board Members of the Bank stand at ¥73 million.

(Translation)

(Consolidated Statement of Income)

1. "Other business income" included leasing revenue of ¥81,188 million.
2. "Other" presented in "Other ordinary income" included gain on sale of equity securities and others of ¥5,869 million, income on monetary assets held in trust of ¥3,933 million, gains on debentures derecognized from liabilities of ¥2,852 million and equity in net income of affiliates of ¥2,821 million.
3. "Other business expenses" included leasing cost of ¥73,372 million.
4. "Other general and administrative expenses" included personnel expenses of ¥56,628 million.
5. "Other" presented in "Other ordinary expenses" included provision on reserve for losses on interest repayments of ¥5,190 million, provision for reimbursement of debentures of ¥1,083 million and loss on sale of equity securities and others of ¥1,082 million.
6. "Other extraordinary gains" included gain on purchase of loans of ¥ 4,236 million and gain on liquidation of subsidiaries of ¥1,210 million.
7. "Other extraordinary losses" included loss on liquidation of affiliates of ¥528 million and loss on sale of subsidiary's stocks of ¥ 154 million.
8. "Impairment losses" included the impairment losses in the Group by the following assets.

Location	Usage	Asset type	Amount (Millions of yen)
Tokyo, Osaka, Okayama etc.	Branch, ATMs and other	Land, Buildings, Other premises and equipment	¥193
Tokyo, Osaka, Okayama etc.	IT-related property	Other premises and equipment, Software	242
Total			¥435

The Group determines the asset group based on the management segmentation.

As a result of consideration of the business environment, the Group made a decision to close down some of the branches and ATMs for Individual business and to cease use and development of some software assets, and segregated them as idle assets. Impairment losses for these assets were recognized assuming their recoverable amount to be zero.

In addition, certain assets owned by certain consolidated subsidiaries which belong to Individual business and Global Markets business were to be disposed or assumed not to be recoverable. Impairment losses for these assets were recognized to recoverable amount and recoverable amount is based on selling price, which is generally market price net cost for sale.

In the above impairment loss amount, ¥18 million was for "Land," ¥142 million was for "Buildings," ¥50 million was for "Other premises and equipment" and ¥224 million was for "Software."

(Translation)

(Consolidated Statement of Changes in Equity)

1. Type and number of issued shares and treasury stock were as follows;

(Unit: thousand shares)

	Number of shares as of April 1, 2016	Number of shares increased	Number of shares decreased	Number of shares as of March 31, 2017	Note
Issued shares					
Common stock	2,750,346	—	—	2,750,346	
Total	2,750,346	—	—	2,750,346	
Treasury stock					
Common stock	96,429	75,564	10,037	161,955	(Note)
Total	96,429	75,564	10,037	161,955	

Note: The increase of treasury stock is associated with the repurchase from market.
The decrease of treasury stock is associated with the allocation of treasury stocks through the share exchange.

2. Information on stock acquisition rights

Stock acquisition rights are the stock option of the Bank and a certain consolidated subsidiary.

3. Information on dividends

a) Dividend paid in the current fiscal year

Resolution	Type of shares	Total amount of dividend	Dividend per share	Record date	Effective date
The board of directors' meeting on May 11, 2016	Common stock	¥2,653 million	¥1.00	March 31, 2016	June 2, 2016

b) Dividend to be paid in the next fiscal year attributable to the current fiscal year

Resolution	Type of shares	Total amount of dividend	Source of dividend	Dividend per share	Record date	Effective date
The board of directors' meeting on May 10, 2017 (planned)	Common stock	¥2,588 million	Retained earnings	¥1.00	March 31, 2017	June 2, 2017

(Financial instruments)

1. Status of financial instruments

(1) Group policy for financial instruments

The Group conducts total financial service, primarily basic banking business and other financial services such as securities business, trust business, consumer finance business, and commercial finance business.

For conducting these businesses, the Bank obtains retail customer deposits as a long-term and stable source of funding. In addition, the Bank diversifies sources of funding by securitization of loans or other assets. Subsidiaries and affiliates also use borrowings from other financial institutions as a source of funding.

(2) Nature and extent of risks arising from financial instruments

(a) Financial assets

The financial assets held by the Group are exposed to the following risks:

[Loans and bills discounted]

Loans and bills discounted, which are primarily provided to domestic institutional and individual customers, are exposed to customer’s credit risk and risk of fluctuation in interest rates.

As of March 31, 2017, loans to the financial and insurance industry were approximately 12% of the total loans and bills discounted, and those to the real estate industry were approximately 12%, approximately 40% of which are nonrecourse loans for real estate.

[Securities]

Securities primarily consist of bonds and stocks and other investments such as foreign securities and investment in partnerships. They are exposed to the risk of fluctuation in interest rates, foreign exchange rates, and prices in the bond/stock markets and in addition, credit risk arising from downgrading of issuer’s credit rating, default, etc.

[Other monetary claims purchased, Monetary assets held in trust]

Other monetary claims purchased and Monetary assets held in trust consist of investments in various assets such as housing loans, nonperforming loans, and receivables in credit trading and securitization businesses, with a purpose of collection, sale, or securitization. There is a possibility that the Group’s profits and losses and financial condition will be badly affected if earnings from these assets are less than expected. These investments are exposed to risk of fluctuation in market size and price of these assets.

[Lease receivables and leased investment assets, Installment receivables]

Lease receivables, leased investment assets, and installment receivables held by consolidated subsidiaries are exposed to customer’s credit risk and risk of fluctuation in interest rates.

(b) Financial liabilities

Financial liabilities of the Group are mainly deposits. In addition to risk of fluctuation in interest rates, the Group has funding liquidity risk that sufficient funding would become difficult or more expensive in case of deterioration in Group’s financial position.

By utilizing time deposits as an important Asset Liability Management (ALM) measure, the Bank is striving to diversify funding maturities and to disperse refunding dates. Without solely relying on interbank funding, the Bank is aiming to cover its funding needs through core retail deposits and corporate deposits as well as capital.

(c) Derivative transactions

The Group enters into the following derivative transactions to provide products for customer needs, to maximize the profit of the Bank's own trading account and for asset and liability management, hedging transactions and other purposes.

(i) Interest rate related	Interest rate swap, Future contract, Interest rate option, and Interest rate swaption
(ii) Currency related	Currency swap, Forward foreign exchange contract, and Currency option
(iii) Equity related	Equity index future, Equity index option, Equity option, and other
(iv) Bond related	Bond futures, and Bond future option
(v) Credit derivative	Credit default option, and other

Among the risks associated with derivative transactions, market risk, credit risk and liquidity risk are to be specially noted for risk management.

(i) Market Risk	Risk that losses are incurred associated with changes in the value of financial instruments from fluctuation in market price, as well as volatilities inherent in derivative instruments
(ii) Credit Risk	Risk that losses are incurred associated with the counterparty defaulting on contractual terms
(iii) Liquidity Risk	Risk that additional costs are incurred associated with closing out the position of the financial instrument held

To appropriately reflect the risk mitigation effect of derivative transactions to the consolidated financial statements, the Group adopts hedge accounting where risks in assets and liabilities of the Group are hedged by interest rate swap, currency swap, etc.

In hedge accounting, effectiveness of hedging is assessed based on the conditions determined in the accounting standards such as "Accounting Standard of Financial Instruments."

(3) Risk management for financial instruments

(a) Credit risk management

The Group's model for credit risk management focuses on securing adequate return on risk, avoiding excessive concentration in particular sectors or to particular customer groups, and managing the credit portfolio with an analysis of potential losses under a worst-case scenario.

Concrete policies and guidelines related to credit risk management of corporate business are clarified in the Group’s detailed procedures, and credit risk management processes are roughly classified into credit risk management for individual transactions and portfolio-based credit risk management.

As for credit risk management for individual transactions, approval authority level is determined in accordance with transaction amount, aggregate credit exposure to obligor’s group companies, credit rating, and so on. The Group has an approval system in which the decisions are made jointly by the business promotion section and the credit assessment section, and the final authority and decision rests with the credit assessment section.

On portfolio-based credit risk management, to diversify risks in terms of industries, ratings and customer groups, the risk management divisions monitor the segment-specific risk diversification status and also rating fluctuations related to customers within the portfolios. The division uses this information to provide comprehensive reports to the Risk Policy Committee on a quarterly basis.

Credit risks in credit transactions are quantified based on the probability of default by obligor rating, loss given default, and unexpected loss ratio. In order to decrease credit risk of obligors, the Group secures collateral and guarantees for the protection of its claims, the values of which are checked more than once a year. Quasi credit risks involved in market transactions, such as derivative transactions, are controlled based on fair value and estimations of future value fluctuations and are reflected valuation of derivatives transactions.

As for credit risk management of the consumer finance business, risk management divisions of each subsidiary monitor leading indicators for quality of screening, quality of portfolio and performance of collection of claims monthly to recognize and tackle the aggravation of credit cost promptly. In case of any aggravation, the Group takes action to tackle it.

To take the risk strategy above, Individual Banking Risk Management Division in the Bank holds monthly performance review, analyzes and monitors these leading indicators and advises the persons in charge of risk management of each subsidiary on their policies and strategies. The division does not merely avoid losses but also produces a balanced strategy with appropriate risk and return attributes and reports this business performance to the Risk Policy Committee quarterly.

(b) Market risk management

Market risks which are associated with changes in the value of financial assets and liabilities, including off-balance-sheet transactions, from fluctuations in interest rates, foreign exchange rates, stock prices and other market-related indices, have an effect on our financial performance.

The Group manages market risk by segregating the overall balance sheet, including off-balance-sheet transactions, into a trading business and a banking business. At the Market Business Management Committee, the senior review and decision-making for the management of the trading business are performed. At the ALM Committee, the senior review and decision-making for the management mainly related to asset/liability management of the banking business are performed.

To control total market risk amounts properly, the trading business include the banking account transactions in “Securities” and “Derivative instruments,” which are desirable to manage the total risk amount in combination with the trading business in light of the purpose and format of the transaction, in addition to in the trading account transactions.

The actual risk limits for asset/liability management of the trading business, such as the value-at-risk (VaR) method, are approved by the Executive Committee based on “Trading Business Risk Management Policy.” The Market Business Management Committee meets monthly to review reports from the Integrated Risk Management Division and front office.

The interest rate risk of the net asset and/or liability in the banking business, which has interest rate sensitivity, is managed by the ALM Committee based on “Asset Liability Management Policy for Banking Account.”

The Integrated Risk Management Division is responsible for appropriate monitoring and reporting of market risk in both the Group’s trading business and banking business. In addition to reporting risk information to management, administrative divisions and front office units, the Integrated Risk Management Division carries out regular risk analyses and makes recommendations. Market risk involved in the trading business is managed by the Trading Division and Investment Business Division, and market risk of the balance sheet involved in the banking business is managed by the Treasury Division.

Market risk is managed by quantifying on a daily basis and making risk adjustment in response to market conditions.

Quantitative information on market risk is as follows:

(i) Amount of market risk associated with trading business
The Group uses VaR for quantitative analysis on market risk associated with trading business. For calculating VaR, the historical simulation method (in principle, holding period of 10 days, confidence interval of 99%, and observation period of 250 business days) has been adopted.

The VaR in the Group's trading business as of March 31, 2017 was ¥1,835 million in the aggregate.

The Group conducts back testing to compare VaR calculated using the model with actual loss amounts. According to the results of back testing conducted, it is believed that the measurement model the Group uses is adequate enough to accurately capture market risk. It should be noted that VaR measures and calculates the amount of market risk at certain probability levels statistically based on historical market fluctuation, and therefore there may be cases where risk cannot be captured in such situations when market conditions are changing dramatically beyond what was experienced historically.

(ii) Amount of market risk associated with banking business
The Group's main financial instruments which are affected by interest rate risk, one of the major risk variables, includes “Call loans and bills bought,” “Receivables under resale agreements,” “Receivables under securities borrowing transactions,” “Other monetary claims purchased,” “Monetary assets held in trust,” bonds other than trading business in “Securities,” “Loans and bills discounted,” “Lease receivables and leased investment assets,” “Installment receivables,” “Deposits,” “Negotiable certificates of deposit,” “Debentures,” “Call money and bills sold,” “Payables under repurchase agreements,” “Payables under securities lending transactions,” “Borrowed money,” “Short-term corporate bonds,” “Corporate bonds” and interest rate swaps other than trading business in “Derivative instruments.” As for these financial assets and liabilities, the Group uses the amount of impact on economic values, which is calculated using fluctuation range of interest rates by 100 basis points (1%) for quantitative analysis to manage fluctuation risk of interest rates. The amount of such impact on economic values is calculated by categorizing the exposure amount of these financial assets and liabilities according to the term of interest payments and using the above fluctuation range of interest rates. From the current fiscal year, the Bank calculates the amount of impact on economic vales with reflecting the non-linear risk due to prepayment to appropriately estimate the fluctuation risk of interest rates. Assuming all risk variables except for interest rate are constant, the Group estimated that the economic value as of March 31, 2017 would decrease by ¥51,429 million in case of an increase of the index interest rates by 100 basis points (1%), and would increase by ¥41,131 million in case of a decrease by 100 basis points (1%). Such amount of impact on economic value is calculated based on the assumption that all risk variables except for interest rate are constant, and correlation between interest rate and other risk variables is not taken into consideration.

(c) Liquidity risk management
The ALM Committee, which is the senior review and decision-making body for the management of funding liquidity risk, manages funding liquidity risk by establishing funding gap limits and minimum liquidity reserve levels. In accordance with the “Cash Liquidity Risk Management Policy,” the Bank has a structure to conduct two or more liquidity measurements and to secure available reserves over the net cumulative outflow forecasted in an emergency situation.

To manage the market liquidity risk for marketable instruments, the Group has trading limits and monitors the amounts of marketable instruments in view of the attributes of marketable instruments. Moreover, liquidity reserves for trading account are calculated monthly and are reflected valuation of derivatives transactions.

(4) Supplement to the fair value information for financial instruments
Fair value of financial instruments includes the value calculated rationally in cases where no market

price is available, besides the value based on market price. Certain assumptions have been adopted for the calculation, so that the value calculated may not be the same when assumptions that differ from the Group's calculation are adopted.

2. Fair value information for financial instruments

The following are the carrying amounts on the consolidated balance sheet, fair values and the differences between them for respective financial instruments as of March 31, 2017. Securities for which fair values cannot be reliably determined, such as equity securities without readily available market prices are not included in the following table (refer (Note 2)). Items that are immaterial are not included in the following table.

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and due from banks	¥1,398,691	¥1,398,691	¥—
(2) Call loans and bills bought	4,472	4,472	—
(3) Receivables under securities borrowing transactions	1,625	1,625	—
(4) Other monetary claims purchased			
Trading purposes	4,213	4,213	—
Other (*1)	39,731	40,547	815
(5) Trading assets			
Securities held for trading purposes	15,479	15,479	—
(6) Monetary assets held in trust (*1)	240,911	246,403	5,492
(7) Securities			
Trading securities	0	0	—
Securities being held to maturity	496,268	502,026	5,758
Securities available for sale	424,032	424,032	—
Equity securities of affiliates	49,375	33,160	(16,215)
(8) Loans and bills discounted (*2)	4,833,452		
Reserve for credit losses	(60,484)		
Net	4,772,968	4,934,474	161,505
(9) Lease receivables and leased investment assets (*1)	189,434	187,559	(1,874)
(10) Other assets			
Installment receivables	541,401		
Deferred gains on installment receivables	(14,205)		
Reserve for credit losses	(10,446)		
Net	516,750	556,047	39,297
Total assets	¥8,153,955	¥8,348,735	¥194,779
(1) Deposits	¥5,489,248	¥5,490,787	¥ (1,538)
(2) Negotiable certificates of deposit	373,673	373,623	50
(3) Debentures	6,561	6,564	(2)

(4) Call money and bills sold	53,600	53,600	—
(5) Payables under repurchase agreements	36,467	36,467	—
(6) Payables under securities lending transactions	337,952	337,952	—
(7) Trading liabilities Trading securities sold for short sales	1,621	1,621	—
(8) Borrowed money	789,670	791,278	(1,607)
(9) Short-term corporate bonds	168,000	167,946	53
(10) Corporate bonds	112,600	113,252	(652)
Total liabilities	¥7,369,396	¥7,373,093	¥ (3,696)
Derivative instruments (*3) Hedge accounting is not applied Hedge accounting is applied	 ¥ 20,095 4,758	 ¥ 20,095 4,758	 ¥— —
Total	¥ 24,853	¥ 24,853	¥—

(Millions of yen)

	Contract amount	Fair value
Other Guarantee contracts (*4)	¥346,675	¥ (122)

(*1) Carrying amount of Other monetary claims purchased, Monetary assets held in trust, and Lease receivables and leased investment assets are presented as the amount net of reserve for credit losses because they are immaterial.

(*2) For consumer loans held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥101,846 million was recognized for estimated losses on reimbursements of excess interest payments, which included the reserve for losses on interest repayments that has a possibility of being appropriated for loan principal in the future.

(*3) Derivative instruments include derivative transactions both in trading assets and liabilities, and in other assets and liabilities. Derivative instruments are presented as net of assets and liabilities and presented with ( ) when a liability stands on net basis.

(*4) Contract amount for guarantee contracts presents the amount of “Acceptances and guarantees” on the consolidated balance sheet. Unearned guarantee fees of ¥21,889 million were recognized as “Other liabilities.”

（Note 1） Valuation methodologies for financial instruments

<u>Assets</u>

(1) Cash and due from banks

The fair values are measured at carrying amounts because the fair values of due from banks with no maturity approximate carrying amounts. Likewise, for due from banks with maturity, the fair values are measured at carrying amounts because most of them are with short maturity of six months or less, therefore the fair values approximate carrying amounts.

(2) Call loans and bills bought and (3) Receivables under securities borrowing transactions

The fair values are measured at carrying amounts because most of them have a short maturity of three months or less, therefore the fair values approximate carrying amounts.

(4) Other monetary claims purchased

The fair values are measured at quoted prices from third parties or determined using the discounted cash flow method.

(5) Trading assets

The fair values of securities held for trading purposes are measured at market prices or quoted prices from third parties.

(6) Monetary assets held in trust

The fair values are determined using discounted cash flow method based on the characteristics of the components of the entrusted assets.

Notes on monetary assets held in trust by holding purposes are included in notes for “Monetary assets held in trust.”

(7) Securities

The fair values of marketable equity securities are measured at closing prices on exchanges. The fair values of bonds and mutual funds are measured at market prices or quoted prices from third parties or determined using the discounted cash flow method.

Notes on securities by holding purposes are included in notes for “Securities.”

(8) Loans and bills discounted

The fair values of loans and bills discounted with fixed interest rate are determined by discounting contractual cash flows, and the fair values of loans and bills discounted with floating interest rate are determined by discounting expected cash flows based on the forward rates, using the risk-free rate adjusted to account for credit risk (after consideration of collateral) with CDS spreads etc. corresponding to internal credit rating of each borrower. The fair values of housing loans are determined by discounting expected cash flows at the rates that consists of the risk free rate and spreads that would be applied for the new housing loans with the same terms at the consolidated balance sheet date. The fair values of consumer loans are determined by discounting expected cash flows that reflect expected loss at the rates that consist of the risk-free rate and certain costs, by a group of similar product types and customer segments.

For loans to obligors “legally bankrupt,” “virtually bankrupt” and “possibly bankrupt,” a reserve is provided based on the discounted cash flow method, or based on amounts expected to be collected through the disposal of collateral or execution of guarantees, so that the carrying amount net of the reserve is a reasonable estimate of the fair values of those loans.

(9) Lease receivables and leased investment assets

The fair values are primarily determined by discounting contractual cash flows at the rates that would be applied for the new contracts by a group of major product categories. Estimated residual value of leased investment assets arising from finance lease transactions, where the ownership of the property is not deemed to transfer to the lessee, is not included in the fair values.

(10) Installment receivables

The fair values are primarily determined by discounting expected cash flows that reflect the probability of prepayment at the rates that consist of the risk-free rate, credit risk and certain costs, by a group of major product categories.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit

The fair values of demand deposits, such as current deposits and ordinary deposits are recognized as the payment amount at the consolidated balance sheet date. The fair values of the deposits with maturity of six months or less approximate carrying amounts because of their short-term maturity.

The fair values of time deposits and negotiable certificates of deposit are determined by discounting expected cash flows at the rates that consists of the risk free rate and spreads that would be applied for new contracts with the same terms at the consolidated balance sheet date.

(3) Debentures and (10) Corporate bonds

The fair values of marketable debentures and corporate bonds are measured at market prices. The fair values of nonmarketable corporate debentures and corporate bonds under the Medium Term Note program are determined by discounting expected cash flows at the actual average funding rates of corporate time deposits etc. funded within the past three months of the consolidated balance sheet date. The fair values of retail debentures are determined by discounting contractual cash flows at the latest actual funding rate of large-denomination (¥10 million or more) time deposits.

The fair values of step-up callable subordinated bonds are determined by discounting expected cash flows, which reflect the probability of early redemption at the rates that consist of the risk-free rate and the CDS spread of the Bank.

(4) Call money and bills sold, (5) Payables under repurchase agreements and (6) Payables under securities lending transactions

The fair values approximate carrying amounts for call money and bills sold, payables under repurchase agreements, and payables under securities lending transactions with short maturities of three months or less.

(7) Trading liabilities

The fair values are measured at market prices.

(8) Borrowed money

The fair values of borrowed money with fixed interest rates are primarily determined by discounting contractual cash flows (for borrowed money hedged by interest rate swaps which meets specific matching criteria, the contractual cash flows include the cash flows of the interest rate swaps), and the fair values of borrowed money with floating interest rates are determined by discounting expected cash flows on forward rates, at the funding rates that reflect the credit risk of the borrower.

The fair values of step-up callable subordinated borrowings are determined by discounting expected cash flows that reflect the probability of early redemption at the rates that consist of the risk-free rate and the CDS spread of the Bank.

(9) Short-term corporate bonds

The fair values approximate carrying amounts because most of them are with short maturities of six months or less.

Derivative instruments

The fair values are primarily measured at closing prices on exchanges or determined using the discounted cash flow method or option-pricing models.

Other

Guarantee contracts

The fair values are determined by discounting the amount of difference between the original contractual cash flows and the expected cash flows that would be applied for the new contract with the same terms at the risk-free rate.

(Note 2)

Financial instruments whose fair values cannot be reliably determined were as follows, and these are not included in the above (7) Securities.

（Millions of yen）

Category	Carrying amount
Equity securities without readily available market price （*1）(*2）	¥9,641
Investment in partnerships and others （*1）(*2）	35,316
Total	¥44,958

（*1） Equity securities without readily available market price are out of the scope of fair values disclosure because their fair values cannot be reliably determined. Investments in partnerships and others, the assets of which comprise equity securities without readily available market price, are out of the scope of fair value disclosure because fair values of those investments cannot be reliably determined.

（*2） For the fiscal year ended March 31, 2017, impairment losses on equity securities without readily available market price of ¥102 million, and on investment in partnerships and others of ¥67 million were recognized.

(Note 3) Redemption schedule of monetary claims and securities with contractual maturities

(Millions of yen)

	Less than 1 year	More than 1 year Less than 3 years	More than 3 years Less than 5 years	More than 5 years
Due from banks	¥1,393,162	¥—	¥—	¥—
Call loans and bills bought	4,472	—	—	—
Receivables under securities borrowing transactions	1,625	—	—	—
Other monetary claims purchased	14,384	—	2,000	23,632
Other than trading purposes				
Securities				
Held-to-maturity	10,000	240,397	231,883	5,597
Japanese national government bonds	10,000	240,000	230,000	5,000
Other	—	397	1,883	597
Available-for-sale	36,416	46,396	117,872	184,455
Japanese national government bonds	—	—	1,000	1,000
Japanese corporate bonds	3,081	15,254	58,152	42,040
Other	33,334	31,142	58,719	141,415
Loans and bills discounted	1,128,437	1,308,702	1,009,036	1,353,861
Lease receivables and leased investment assets	58,109	77,332	34,887	21,157
Installment receivables	169,746	175,977	64,790	110,154
Total	¥2,816,355	¥1,848,807	¥1,460,470	¥1,698,859

(Note) The financial instruments whose cash flow cannot be reliably estimated such as loans and bills discounted to obligors of “legally bankrupt,” “virtually bankrupt” and “possibly bankrupt,” and the financial instruments with no contractual maturity are not included in the table above.

(Note 4) Redemption schedule of corporate bonds, borrowed money and other interest-bearing debts

(Millions of yen)

	Less than 1 year	More than 1 year Less than 3 years	More than 3 years Less than 5 years	More than 5 years
Deposits (*)	¥4,699,204	¥620,369	¥105,772	¥63,901
Negotiable certificates of deposit	373,673	—	—	—
Debentures	6,107	454	—	—
Call money and bills sold	53,600	—	—	—
Payables under repurchase agreements	36,467	—	—	—
Payables under securities lending transactions	337,952	—	—	—
Borrowed money	431,686	169,556	86,379	102,048
Short-term corporate bonds	168,000	—	—	—
Corporate bonds	21,000	35,000	25,000	31,600
Total	¥6,127,691	¥825,380	¥217,152	¥197,550

(*) The cash flow of demand deposits is included in "Less than 1 year."

（Securities）

In addition to "Securities" on the consolidated balance sheet, the figures in the following tables include trading securities and other securities related to trading transactions recorded in "Trading assets," and beneficiary interests included in "Other monetary claims purchased" that are accounted for in the same way as securities.

1. Trading securities (as of March 31, 2017）

(Millions of yen)

	Unrealized gain (loss)
Trading securities	¥ (21)
Other monetary claims purchased for trading purposes	(1,110)

2. Securities being held to maturity (as of March 31, 2017)

(Millions of yen)

	Type	Carrying amount	Fair value	Unrealized gain (loss)
Fair value exceeds carrying amount	Japanese national government bonds	¥493,562	¥499,156	¥5,593
	Other	2,706	2,870	164
	Subtotal	496,268	502,026	5,758
Fair value does not exceed carrying amount	Japanese national government bonds	—	—	—
	Other	—	—	—
	Subtotal	—	—	—
Total		¥496,268	¥502,026	¥5,758

3. Securities available for sale (as of March 31, 2017)

(Millions of yen)

	Type	Carrying amount (Fair value)	Amortized/ Acquisition cost	Unrealized gain (loss)
Carrying amount exceeds amortized/acquisition cost	Equity securities	¥26,630	¥11,844	¥14,785
	Domestic bonds:	33,928	33,579	348
	Japanese national government bonds	2,055	2,036	18
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	31,873	31,543	330
	Other	144,158	141,417	2,740
	Subtotal	204,716	186,841	17,875
Carrying amount does not exceed amortized/acquisition cost	Equity securities	815	1,071	(255)
	Domestic bonds:	85,996	87,019	(1,023)
	Japanese national government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	85,996	87,019	(1,023)
	Other	137,633	139,985	(2,351)
	Subtotal	224,445	228,076	(3,631)
Total		¥429,162	¥414,918	¥14,244

(Translation)

Note: "Unrealized gain (loss) on available-for-sale securities" on the consolidated balance sheet consists of the following:

(Millions of yen)

Unrealized gain (loss) before deferred tax on:	
Available-for-sale securities	¥ 14,244
The Bank's interests in available-for-sale securities held by partnerships recorded as securities whose fair value cannot be reliably determined and other adjustments	1,246
Securities being held to maturity, reclassified from available-for sale in the past, under extremely illiquid market conditions	(172)
Other monetary assets held in trust	(659)
Less: Deferred tax liabilities	3,110
Unrealized gain (loss) on available-for-sale securities before interest adjustments	11,548
Less: Noncontrolling interests	20
The Bank's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	(1,227)
Unrealized gain (loss) on available-for-sale securities	¥ 10,299

4. Available-for-sale securities sold during the current fiscal year (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Proceeds from sales	Gains on sales	Losses on sales
Equity securities	¥4,499	¥2,713	¥6
Domestic bonds:	1,082,036	11,402	2,856
Japanese national government bonds	1,007,195	6,412	2,808
Japanese local government bonds	24,055	9	19
Japanese corporate bonds	50,785	4,979	28
Other	658,637	6,343	3,677
Total	¥1,745,173	¥20,460	¥6,540

5. Securities for which impairment losses are recognized

In the event individual securities (except for those whose fair value cannot be reliably determined), other than trading securities, experience a decline in fair value which is significant as compared to the acquisition cost of such securities, the securities are written down as the decline in fair value is deemed to be other than temporary, and the difference is recorded as an impairment loss.

Impairment loss on such securities for the fiscal year ended March 31, 2017, was ¥27 million, of which ¥27 million was related to equity securities.

The Bank's rules for the determination of whether an other-than-temporary impairment has occurred differ by the obligor classification of the security issuer based upon the Bank's self-assessment guidelines. The details of these rules are as follows:

Securities issued by "legally bankrupt," "virtually bankrupt" and "possibly bankrupt" obligors	The fair value of securities is less than the amortized/acquisition cost
Securities issued by "need caution" obligors	The fair value of securities declines by 30% or more compared to the amortized/acquisition cost
Securities issued by "normal" obligors	The fair value of securities declines by 50% or more compared to the amortized/acquisition cost

"Legally bankrupt" obligors are those who have already gone bankrupt from a legal and/or formal perspective.

"Virtually bankrupt" obligors are those who have not yet legally or formally gone bankrupt but who are substantially in bankruptcy because they are in serious financial difficulties and are not deemed to be capable of restructuring.

"Possibly bankrupt" obligors are those who are not yet in bankruptcy but are in financial difficulties and are very likely to go bankrupt in the future.

"Need caution" obligors are those who are in need of close attention because there are problems with their borrowings.

"Normal" obligors are those whose business conditions are favorable and who are deemed not to have any particular problems in their financial position.

(Translation)

（Monetary assets held in trust）

1. Monetary assets held in trust for trading purposes (as of March 31, 2017)

(Millions of yen)

	Carrying amount (Fair value)	Unrealized gain (loss)
Monetary assets held in trust for trading purposes	¥21,797	¥ (58)

2. There are no monetary assets held in trust held to maturity (as of March 31, 2017)

3. Monetary assets held in trust other than for trading purposes and held to maturity (as of March 31, 2017)

(Millions of yen)

	Carrying amount	Acquisition cost	Unrealized gain (loss)	Gross unrealized gain	Gross unrealized loss
Other monetary assets held in trust	¥219,883	¥220,543	¥ (659)	¥47	¥ (706)

Note: “Gross unrealized gain” and “Gross unrealized loss” are components of “Unrealized gain (loss).”

(Business Combination)

Business combinations under common control

(Acquisition of full ownership of consolidated subsidiary, through additional acquisition and a share exchange)

(1) Overview of transaction

(i) Names and business descriptions of the acquired company

Name of the acquired company: Showa Leasing Co., Ltd. (hereinafter, “Showa Leasing”)

Business descriptions: Leasing Business

(ii) Date on which the business combination was effected

A) June 30, 2016

B) December 1, 2016

(iii) Legal form of the business combination

A) Additional acquisition from a noncontrolling shareholder

B) A share exchange that makes the Bank a wholly-owning parent company and Showa Leasing a wholly-owned subsidiary

(iv) Name of the company after the business combination

No change in name

(v) Other matters with regard to the transaction

The business combination was executed as part of the Bank’s initiatives in the Third Medium-Term Management Plan. By making Showa Leasing the Bank’s wholly-owned subsidiary, the Bank seeks to accelerate the achievement of the Group integration set forth in its “medium-to-long term vision” and 3rd Medium-Term Management Plan by establishing a framework that would promote rapid, flexible decision-making by the Group’s management. Through this, the Bank will maximize the corporate value of the Shinsei Bank Group in order to become a financial innovator.

(2) Overview of the accounting treatment

Based on “Accounting Standard for Business Combinations (ASBJ Statement No. 21 of September 13, 2013)” and “Guidance on Accounting Standards for Business Combinations and Business Divestitures (ASBJ Guidance No. 10 of September 13, 2013)”, the Bank treated a series of transactions with noncontrolling shareholders as a transaction under common control.

(3) Acquisition cost of the business combination and a breakdown of the cost

Cash	¥1,321 million
The Bank’s common shares	1,856 million
Acquisition cost	¥3,178 million

(4) Share exchange ratio, method of calculating the ratio, and number of shares issued on a share exchange transaction on December 1, 2016

(i) Share exchange ratio

One share of common stock of Showa Leasing, in exchange for 2.17 shares of common stock of the Bank

(ii) Method of calculation

In order to ensure fairness and reasonability in calculating the share exchange ratio under the share exchange, the Bank and Showa Leasing requested an independent third-party appraisal agency to calculate the share exchange ratio, the said agency being KPMG FAS Co., Ltd. (hereinafter, “KPMG FAS”)

KPMG FAS analyzed the value of the Bank’s common shares and Showa Leasing’s common shares, and calculated the share exchange ratio by considering the result of the analysis. KPMG FAS adopted the average market price analysis for the Bank’s common shares and the comparable companies’ analysis and the discounted cash flow analysis for Showa Leasing’s common shares. As a result of giving consideration to the share exchange ratio calculation result submitted from KPMG FAS, both the Bank and Showa Leasing have found the share exchange ratio set out in “(i) Share exchange ratio” as stated above to be appropriate and not damaging the interests of the shareholders of the two companies, and the share exchange ratio has been determined and approved by board of directors meetings of each company on September 21, 2016.

(iii) Number of shares issued

10,037,782 shares

(Translation)

(5) Changes in equity related to transaction with noncontrolling shareholders

A decrease in capital surplus due to the above transactions with noncontrolling shareholders is ¥955 million.

(Per share information)

Common shareholders' equity per share was ¥316.38.

Profit attributable to owners of parent per common share was ¥19.46.

Diluted profit attributable to owners of parent per common share was ¥19.46.

(Stock option)

1. Expenses related to stock options in the current fiscal year

Other general and administrative expenses ¥ 71million

2. There are no gains on unexercised and forfeited stock acquisition rights during the current fiscal year.

3. Outline, number and movement of stock options

a) The Bank

(1) Outline of stock options

	The 17th stock acquisition rights		The 18th stock acquisition rights	
Number of grantees	Directors: 12 Statutory executive officers: 13 Employees: 110		Statutory executive officers: 3 Employees: 23	
Number of stock options granted (Note 1)	Common stock: 1,691,000 shares	Common stock: 1,615,000 shares	Common stock: 747,000 shares	Common stock: 733,000 shares
Grant date	May 25, 2007		May 25, 2007	
Condition for vesting	(Note: 2)		(Note: 2)	
Required service period	From May 25, 2007 to June 1, 2009	From May 25, 2007 to June 1, 2011	From May 25, 2007 to June 1, 2009	From May 25, 2007 to June 1, 2011
Exercise period	From June 1, 2009 to May 8, 2017	From June 1, 2011 to May 8, 2017	From June 1, 2009 to May 8, 2017	From June 1, 2011 to May 8, 2017

	The 19th stock acquisition rights		The 20th stock acquisition rights	
Number of grantees	Directors and employees in subsidiaries: 32		Directors: 12 Statutory executive officers: 8 Employees: 104	
Number of stock options granted (Note 1)	Common stock: 86,000 shares	Common stock: 54,000 shares	Common stock: 1,445,000 shares	Common stock: 1,385,000 shares
Grant date	July 2, 2007		May 30, 2008	
Condition for vesting	(Note: 2)		(Note: 2)	
Required service period	From July 2, 2007 to July 1, 2009	From July 2, 2007 to July 1, 2011	From May 30, 2008 to June 1, 2010	From May 30, 2008 to June 1, 2012
Exercise period	From July 1, 2009 to June 19, 2017	From July 1, 2011 to June 19, 2017	From June 1, 2010 to May 13, 2018	From June 1, 2012 to May 13, 2018

(Translation)

	The 21st stock acquisition rights		The 22nd stock acquisition rights	
Number of grantees	Statutory executive officers: 1 Employees: 29		Directors and employees in subsidiaries: 43	
Number of stock options granted (Note 1)	Common stock: 1,049,000 shares	Common stock: 1,032,000 shares	Common stock: 121,000 shares	Common stock: 82,000 shares
Grant date	May 30, 2008		July 10, 2008	
Condition for vesting	(Note: 2)		(Note: 2)	
Required service period	From May 30, 2008 to June 1, 2010	From May 30, 2008 to June 1, 2012	From July 10, 2008 to July 1, 2010	From July 10, 2008 to July 1, 2012
Exercise period	From June 1, 2010 to May 13, 2018	From June 1, 2012 to May 13, 2018	From July 1, 2010 to June 24, 2018	From July 1, 2012 to June 24, 2018

	The 23rd stock acquisition rights		The 1st stock acquisition rights（Share compensation-type）
Number of grantees	Directors and employees in subsidiaries: 17		Directors: 2
Number of stock options granted (Note 1)	Common stock: 54,000 shares	Common stock: 43,000 shares	Common stock: 134,300 shares
Grant date	December 1, 2008		May 26, 2016
Condition for vesting	(Note: 2)		Condition for vesting is nil
Required service period	From December 1, 2008 to December 1, 2010	From December 1, 2008 to December 1, 2012	Required service period is nil
Exercise period	From December 1, 2010 to November 11, 2018	From December 1, 2012 to November 11, 2018	From May 27, 2016 to May 26, 2046

Notes:

1. Stated in terms of the number of shares.
2. In principle, grantees must continue to serve through the required service period. However, the right may be vested or forfeited if certain conditions specified in the "Agreement on Granting Stock Acquisition Rights" take place.

(2) Number of stock options and movement therein

Stock options that existed during the current fiscal year are covered. Number of stock options is stated in terms of the number of shares.

(a) Number of stock options

	17th	18th	19th	20th
Nonvested (share)				
Outstanding at the beginning of the year	—	—	—	—
Granted during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Vested during the year	—	—	—	—
Outstanding at the end of the year	—	—	—	—
Vested (Share)				
Outstanding at the beginning of the year	1,224,000	799,000	140,000	1,139,000
Vested during the year	—	—	—	—
Exercised during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Exercisable at the end of the year	1,224,000	799,000	140,000	1,139,000

	21st	22nd	23rd	1st (Share compensation -type)
Nonvested (share)				
Outstanding at the beginning of the year	—	—	—	—
Granted during the year	—	—	—	134,300
Forfeited during the year	—	—	—	—
Vested during the year	—	—	—	134,300
Outstanding at the end of the year	—	—	—	—
Vested (Share)				
Outstanding at the beginning of the year	42,000	178,000	54,000	—
Vested during the year	—	—	—	134,300
Exercised during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Exercisable at the end of the year	42,000	178,000	54,000	134,300

(b) Price information

	17th		18th	
Exercise period	From June 1, 2009 to May 8, 2017	From June 1, 2011 to May 8, 2017	From June 1, 2009 to May 8, 2017	From June 1, 2011 to May 8, 2017
Exercise price (yen)	555		555	
Weighted-average stock price at the date of exercise (yen)	—		—	
Fair value at grant date (yen)	131	143	131	143

	19th		20th	
Exercise period	From July 1, 2009 to June 19, 2017	From July 1, 2011 to June 19, 2017	From June 1, 2010 to May 13, 2018	From June 1, 2012 to May 13, 2018
Exercise price (yen)	527		416	
Weighted-average stock price at the date of exercise (yen)	—		—	
Fair value at grant date (yen)	121	132	158	169

	21st		22nd	
Exercise period	From June 1, 2010 to May 13, 2018	From June 1, 2012 to May 13, 2018	From July 1, 2010 to June 24, 2018	From July 1, 2012 to June 24, 2018
Exercise price (yen)	416		407	
Weighted-average stock price at the date of exercise (yen)	—		—	
Fair value at grant date (yen)	158	169	127	137

	23rd		1st (Share compensation-type)
Exercise period	From December 1, 2010 to November 11, 2018	From December 1, 2012 to November 11, 2018	From May 27, 2016 to May 26, 2046
Exercise price (yen)	221		1
Weighted-average stock price at the date of exercise (yen)	—		—
Fair value at grant date (yen)	53	57	162

b) OJBC Co. Ltd

(1) Outline of stock options

	The 1st stock acquisition rights	The 2nd stock acquisition rights
Number of grantees	Nippon Wealth Limited Directors: 3 Employees: 5	Nippon Wealth Limited Employee: 1
Number of stock options granted (Note 1)	Class B Preferred shares: 2,114,680 shares	Class B Preferred shares: 72,920 shares
Grant date	April 28, 2015	May 25, 2016
Condition for vesting	(Note: 2)	(Note: 2)
Required service period	From April 28, 2015 to April 28, 2017	From May 25, 2016 to May 25, 2018
Exercise period	From April 28, 2017 to April 28, 2025	From May 25, 2018 to May 25, 2026

Notes:

1. Stated in terms of the number of shares.
2. In principle, grantees must continue to serve through the required service period and until the date of exercising. However, the right may be vested or forfeited if certain conditions specified in the "Shareholders' Agreement" take place.

(2) Number of stock options and movement therein

Stock options that existed during the current fiscal year are covered. Number of stock options is stated in terms of the number of shares.

(a) Number of stock options

	1st	2nd
Nonvested (share)		
Outstanding at the beginning of the year	2,114,680	—
Granted during the year	—	72,920
Forfeited during the year	72,920	—
Vested during the year	—	—
Outstanding at the end of the year	2,041,760	72,920
Vested (Share)		
Outstanding at the beginning of the year	—	—
Vested during the year	—	—
Exercised during the year	—	—
Forfeited during the year	—	—
Exercisable at the end of the year	—	—

(b) Price information

	1st	2nd
Exercise period	From April 28, 2017 to April 28, 2025	From May 25, 2018 to May 25, 2026
Exercise price (USD)	1.10	1.10
Weighted-average stock price at the date of exercise (USD)	—	—
Fair value at grant date (USD)	0.26	0.15

4. Measurement of the fair values of stock options

The following is the method to measure a fair value of stock options granted in this consolidated fiscal year

a) The Bank

(1) Used method: Black-Scholes option pricing model

(2) Major inputs and variables to the model used

(Translation)

	1st （Share compensation-type）
Exercise period	From May 27, 2016 to May 26, 2046
Expected volatility (Note 1)	47.043%
Expected life (Note 2)	8.3Years
Expected dividends (Note 3)	1.00Yen/Share
Risk-free interest rate (Note 4)	-0.174%

Note:

1. Measured based on the historical stock price corresponding to expected life (from February 7, 2008 to May 26, 2016).
2. Estimated based on the retirement data of the director and statutory executive officers of the Bank for the past 10 years, as the reasonable estimate is difficult without enough data.
3. Based on the sum of the actual dividend for the fiscal year ended in March, 2015 (1.00Yen/Share) and the interim fiscal year ended in March, 2016 (zero /Share).
4. Used the yield of JGB with the maturity that is approximate to expected life.

b) OJBC Co. Ltd

(1) Used method: Binominal model

(2) Major inputs and variables to the model used

	2nd
Exercise period	From May 25, 2018 to May 25, 2026
Expected volatility (Note 1)	45.00%
Expected life (Note 2)	10.0Years
Expected dividends (Note 3)	—
Risk-free interest rate (Note 4)	1.87%

Note:

1. Measured based on the historical stock price of comparable similar companies corresponding to the end of exercise period (10 years).
2. Assumed based on the term from grant date to the end of exercise period.
3. Based on the recent actual dividend (0%).
4. Used the yield of US Treasury Bond with the maturity that is equivalent to expected life.

5. Method of determining the vested number of stock options

Incorporated only the actual forfeited options, as the reasonable estimate of future forfeiture is not determinable.

Notes to the nonconsolidated financial statements

All yen amounts are rounded down to millions of yen.

Significant accounting policies

1. Recognition and measurement of trading assets / liabilities and trading income / losses

Trading account positions entered into to generate gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices, or from price differences among markets, are included in “Trading assets” and “Trading liabilities” on a trade date basis. The income and losses resulting from trading activities are included in “Trading income” and “Trading losses.”

Trading securities and monetary claims purchased for trading purposes are stated at market value at the balance sheet date and derivative financial instruments related to trading positions are stated at fair value based on estimated amounts that would be settled in cash if such position were terminated at the balance sheet date.

Trading income and trading losses include interest received and paid during the fiscal year and unrealized gains and losses resulting from the change in the value of securities and monetary claims purchased, and derivatives between the beginning and the end of the fiscal year.

In estimating fair values of derivative financial instruments included in trading accounts, liquidity risks and credit risks are reflected.

2. Measurement of securities

(a) Securities for trading purposes (except for those included in trading accounts) are carried at fair value (cost of securities sold is determined by the moving-average method). Securities being held to maturity are carried at amortized cost (using the straight-line method) determined by the moving-average method. Investments in subsidiaries and affiliates are carried at cost determined by the moving-average method. Available-for-sale securities are carried at fair value at the balance sheet date (cost of securities sold is determined by the moving-average method) in principle, with the exception of those whose fair value cannot be reliably determined, which are carried at cost determined by the moving-average method. Investments in partnerships and others are carried at the amount of the Bank’s share of net asset value based on their most recent financial statements.

Unrealized gain (loss) on available-for-sale securities is directly recorded in a separate component of equity, after deducting the amount charged to profit or loss by applying fair value hedge accounting.

(b) The values of securities included in monetary assets held in trust are determined by the same methods as stated in (a) above.

3. Measurement of derivatives

Derivatives (except for those included in trading accounts) are carried at fair value.

4. Measurement of other monetary claims purchased

Other monetary claims purchased held for trading purposes (except for those included in trading accounts) are carried at fair value.

5. Depreciation

(a) Premises and equipment

Depreciation of buildings and computers equipment (including ATMs) other than personal computers is computed using the straight-line method, and depreciation of other equipment is computed using the declining-balance method. Principal estimated useful lives are as follows:

Buildings: 8 – 20 years

Others: 2 – 20 years

(b) Intangible assets (excluding leased assets)

Amortization of intangible assets is computed using the straight-line method. The amortization period of respective intangible assets is as follows:

Capitalized software for internal use	5 years (the estimated useful lives)
Goodwill	10 years
Other intangible assets (trade name and trade mark)	7 years

(c) Leased assets

Depreciation of leased assets under finance lease transactions that were deemed to transfer ownership of the leased property to the lessee, which are included in "Intangible assets," is computed using the same method which is applied to the own properties.

6. Deferred charges

Deferred charges are accounted for as follows:

(a) Deferred issuance expenses for corporate bonds

Deferred issuance expenses for corporate bonds, which are included in other assets, are amortized using the straight-line method over the term of the corporate bonds.

Corporate bonds are stated at amortized costs calculated by the straight-line method.

(b) Deferred issuance expenses for debentures

Deferred issuance expenses for debentures are amortized using the straight-line method over the term of the debentures.

7. Reserves and allowances

(a) Reserve for credit losses

The reserve for credit losses has been established as described below based on the predetermined internal rules for establishing the reserve.

For claims to obligors who are legally bankrupt due to bankruptcy, special liquidation proceedings or similar legal proceedings ("legally bankrupt obligors") or to obligors who are effectively in similar conditions ("virtually bankrupt obligors"), a specific reserve is provided based on the amount of claims, after the charge-off stated below, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

For claims to obligors who are not yet bankrupt but are in financial difficulties and are very likely to go bankrupt in the future ("possibly bankrupt obligors"), except claims to obligors with larger claims than a predetermined amount, a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

With regard to claims to possibly bankrupt obligors, restructured loans and certain claims for which the reserve has been provided based on the discounted cash flow method (as mentioned below) in previous fiscal years, provided that obligors' cash flows for debt service are reasonably estimable and the balance of claims to such obligors are at or larger than a predetermined amount, the reserve for credit losses is determined as the difference between (i) relevant estimated cash flows discounted by the original contractual interest rate and (ii) the book value of the claim (discounted cash flow method). In cases where it is difficult to reasonably estimate future cash flows, the reserve is provided based on expected loss amount for the remaining term of respective claims.

For other claims, a general reserve is provided based on historical loan loss experience.

For specific foreign claims, there is a reserve for loans to restructuring countries which has been provided based on losses estimated by considering the political and economic conditions in those countries.

All claims are assessed by business divisions based on the predetermined internal rules for the self-assessment of asset quality. The Credit Assessment Division, which is independent from business divisions, conducts verifications of these assessments, and additional reserves may be provided based on the verification results.

For collateralized or guaranteed claims to legally bankrupt obligors or virtually bankrupt obligors, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off in principle and totaled ¥ 33,914 million.

(b) Accrued employees' bonuses

Accrued employees' bonuses are provided in the amount of the estimated bonuses that are attributable to the current fiscal year.

(c) Reserve for employees' retirement benefits

The reserve for employees' retirement benefits is provided for the payment of employees' retirement benefits based on the estimated amounts of the projected benefit obligation and the estimated value of pension plan assets as of the balance sheet date. The projected benefit obligation is estimated using the benefit formula basis for attributing the expected benefits to the current fiscal year.

The unrecognized past service cost and the unrecognized actuarial gain (loss) are treated in the following manner:

Unrecognized past service cost:	Amortized using the straight-line method over the average remaining service period (14.74 years) from the fiscal year of occurrence.
Unrecognized actuarial gain (loss):	Amortized using the straight-line method over the average remaining service period (7.48－14.74 years) from the fiscal year of occurrence.

(d) Reserve for reimbursement of debentures

The reserve for reimbursement of debentures is provided for estimated losses on future reimbursement requests of debentures derecognized from liabilities.

8. Translation of foreign currency-denominated assets and liabilities

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the exchange rates as of the balance sheet date, except for investments in subsidiaries and affiliates which are translated at the relevant historical exchange rates.

9. Hedge accounting

(a) Hedge of interest rate risks

The Bank applies the deferral hedge accounting for derivative transactions that meet the hedge accounting criteria for mitigating interest risks of its financial assets and liabilities.

The Bank adopted portfolio hedging to determine the effectiveness of hedging instruments in accordance with Industry Audit Committee Report No. 24 issued, in February 13 2002, by the Japanese Institute of Certified Public Accountants (the “JICPA”). Under portfolio hedging to mitigate the change in fair value, a portfolio of hedged items with common maturities such as deposits or loans is designated and matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedging is assessed by each group.

As for portfolio hedging activities to fix cash flows, the effectiveness is assessed based on the correlation between the base interest rates index of the hedged cash flow and that of the hedging instruments.

(b) Hedge of foreign exchange fluctuation risks

The Bank applies either deferral hedge accounting or fair value hedge accounting for derivative transactions for the purpose of hedging foreign exchange fluctuation risks of the Bank’s financial assets and liabilities denominated in a foreign currency.

Under deferral hedge accounting, which is in accordance with “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry” (Industry Audit Committee Report No. 25 of the JICPA, July 29 2002), hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currency and designating derivative transactions such as currency swap transactions, fund swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

The Bank also applies deferral hedge accounting and fair value hedge accounting to translation gains or losses from foreign currency-denominated investments in foreign subsidiaries and affiliates and available-for-sale securities (other than bonds denominated in foreign currencies) when such foreign currency exposures recorded as assets are hedged with offsetting foreign currency liabilities and the liabilities equal or exceed the acquisition cost of such foreign currency assets.

(c) Intracompany derivative transactions

Gains (losses) on intracompany derivative hedging transactions between the trading book and the banking book are not eliminated since offsetting transactions with third parties are appropriately entered into in conformity with the nonarbitrary and strict hedging policy in accordance with Industry Audit Committee Reports No. 24 and No. 25 of the JICPA. As a result, in the banking book, realized gains (losses) on such intracompany transactions are reported in current earnings and valuation gains (losses) which meet the hedge accounting criteria are deferred.

10. Reserve for employees' retirement benefits

The method of recognition of the unrecognized actuarial gain (loss) and the unrecognized past service cost are different from the method in the consolidated financial statements.

11. Consumption tax

The national consumption tax and the local consumption tax are excluded from transaction amounts.

12. Consolidated corporate tax system

The consolidated corporate tax system is adopted by the Bank.

(Change in presentation)

"Accounts receivable" (¥11,167 million at the end of the previous fiscal year) which was included in "Other" presented in "Other assets" in the previous fiscal year, is separately presented in the nonconsolidated balance sheet due to the materiality of its balance.

（Supplementary information）

（Application of the "Implementation Guidance on Recoverability of Deferred Tax Assets"）

From the beginning of the current fiscal year, the Bank has applied the "Implementation Guidance on Recoverability of Deferred Tax Assets"(ASBJ Guidance No.26, March 28, 2016).

（Reverse Stock Split, Change in the Number of Shares Constituting a Minimum Trading Unit and Partial Amendment of the Articles of Incorporation）

Board of Directors Meeting held on March 22, 2017, the Bank resolved to recommend a reverse stock split, a change in the number of shares constituting a minimum trading unit and a partial amendment of the Article of Incorporation at the 17th Annual General Meeting of Shareholders scheduled for June 21, 2017.

1. Reverse stock split

(a) Reason for reverse stock split

All domestic stock exchanges in Japan including the Tokyo Stock Exchange are engaged in initiatives for issuing companies to reduce the number of shares constituting a minimum trading unit from 1,000 shares to 100 shares by October 2018, in its "Action Plan for Consolidating Trading Units."

Following this initiative, as the Bank is a company listed on the Tokyo Stock Exchange, it will reduce the number of the Bank's shares constituting a minimum trading unit from 1,000 shares to 100 shares. The Tokyo Stock Exchange defines the ideal price range per investment unit as equal to or greater than 50,000 yen and less than 500,000 yen. In order to achieve this appropriate price level per a minimum trading unit of the Bank's shares, the Bank will also undertake a 1-for-10 reverse stock split.

(b) Details of reverse stock split

(i) Class of shares to be reversed: Common shares

(ii) Reversal ratio: The Bank will undertake a 1-for-10 reverse stock split on October 1, 2017 based on the number of shares held by shareholders recorded in the Register of Shareholders as of the end of the day on September 30, 2017.

(iii) Decrease in number of shares due to reverse stock split

Number of outstanding shares before reverse stock split (as of March 31, 2017)	2,750,346,891 shares
Decrease in number of shares caused by reverse stock split	2,475,312,202 shares
Number of outstanding shares caused by reverse stock split	275,034,689 shares

Note: "Decrease in number of shares caused by reverse stock split" and "Number of outstanding shares after reverse stock split" are theoretical figures calculated based on the number of outstanding shares before reverse stock split and the reverse stock split ratio.

(c) Treatment when there is less than one share

If fractional shares of less than one share arise as a result of the reverse stock split, such shares shall be subject to a bulk sale in accordance with the Companies Act. The proceeds from the sale will be distributed to the shareholders in proportion to their respective fractional shares.

(d) Aggregate number of authorized shares on the effective date

In accordance with a decrease in the number of outstanding shares caused by reverse stock split, the aggregate number of authorized shares will be decreased at the same rate (one-tenth) as that of reverse stock split as of October 1, 2017.

Aggregate number of authorized shares before change	4 billion shares
Aggregate number of authorized shares after change (as of October 1, 2017)	400 million shares

(e) Conditions for reverse stock split

The reverse stock split is subject to approval at the 17th Annual General Meeting of Shareholders to be held on June 21, 2017 together with the item related to the following "3. Partial amendment of the Articles of Incorporation."

2. Change in the number of shares constituting a minimum trading unit

(a) Reason for change

The Bank will implement this change in order to follow the action plan by all domestic stock exchanges as above mentioned in, "1. (1) Reason for reverse stock split."

(b) Details of change

The Bank will reduce the number of the Bank's shares constituting a minimum trading unit from 1,000 shares to 100 shares.

(c) Date of change

October 1, 2017.

(d) Conditions for change

The change in the number of shares constituting a minimum trading unit is subject to approval at the 17th Annual General Meeting of Shareholders to be held on June 21, 2017 together with the item related to, "1. Reverse stock split" and the item related to the following "3. Partial amendment of the Articles of Incorporation."

3. Partial amendment of the Articles of Incorporation

(a) Details of partial amendment of the Articles of Incorporation

The Bank will reduce the aggregate number of authorized shares from 4 billion shares to 400 million shares and reduce the number of shares constituting a minimum trading unit from 1,000 shares to 100 shares.

The Bank will set supplementary provisions whereby these amendments take effect on October 1, 2017. The supplementary provisions shall be deleted after the day they have taken effect.

(b) Conditions for change

The amendment of the Articles of Incorporation is subject to approval at the 17th Annual General Meeting of Shareholders to be held on June 21, 2017 together with the above-mentioned item related to, "1. Reverse stock split."

4. Schedule for a reverse stock split and change in the number of shares constituting a minimum trading unit

Resolution at the Board of Directors meeting	March 22, 2017
Resolution at the Annual General Meeting of Shareholders	June 21, 2017 (provisional)

Effective date of the reverse stock split	October 1, 2017 (provisional)
Effective date of change in the number of shares constituting a minimum trading unit	October 1, 2017 (provisional)
Effective date of change in aggregate number of authorized shares	October 1, 2017 (provisional)

5. Effect on Per share information

Per share information for the current fiscal year on the assumption that the stock split had been implemented as of April 1, 2016 is as follows;

Common shareholders' equity per share was ¥3,119.35.

Net income per common share was ¥166.53.

Diluted net income per common share was ¥166.52.

Notes

（Balance Sheet）

1. Investments in subsidiaries and affiliates were as follows.

(Millions of yen)

	Carrying amount
Equity securities	¥410,454
Other	3,403

2. For securities held in connection with securities borrowing transactions with or without cash collateral, securities purchased under resale agreements and securities accepted as collateral for derivative transactions, where the Bank has the right to sell or pledge such securities without restrictions ¥6,667 million of those securities was held by the Bank at the balance sheet date.

3. Loans to bankrupt obligors and nonaccrual delinquent loans of ¥770 million and ¥5,767 million, respectively, were included in loans and bills discounted.

Loans to bankrupt obligors are loans, after write-off, to legally bankrupt obligors as defined in Article 96, Paragraph 1, Items 3 and 4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965) and on which accrued interest income is not recognized as there is substantial doubt about the ultimate collectability of either principal or interest because they are past due for a considerable period of time or for other reasons.

Nonaccrual delinquent loans are loans on which accrued interest income is not recognized, excluding loans to bankrupt obligors and loans for which interest payments are deferred in order to facilitate the rehabilitation of the obligor or to assist in the financial recovery of the obligors.

4. Loans past due for three months or more of ¥1,166 million were included in loans and bills discounted.

Loans past due for three months or more are loans other than loans to bankrupt obligors and nonaccrual delinquent loans, for which the principal and/or interest payments are past due for three months or more.

5. Restructured loans of ¥2,659 million were included in loans and bills discounted.

Restructured loans are loans other than loans to bankrupt obligors, nonaccrual delinquent loans or loans past due for three months or more, on which concessions such as reduction of the stated interest rate, a deferral of interest payment, an extension of the maturity date, debt forgiveness, or other agreements which give advantages to obligors in financial difficulties have been granted to obligors to facilitate their rehabilitation.

6. The total amount of loans to bankrupt obligors, nonaccrual delinquent loans, loans past due for three months or more, and restructured loans was ¥10,363 million.

The amounts of loans mentioned in Notes 3 through 6 above represent the gross receivable amounts prior to reduction of the reserve for credit losses.

7. Bills discounted, such as bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange contracts bought, are accounted for as financing transactions in accordance with Industry Audit Committee Report No. 24 of the JICPA on February 13, 2002, although the Bank has the right to sell or pledge them without restrictions. The face amount of such bills discounted held as of March 31, 2017 was ¥391 million.

8. The total principal amount of loans accounted for as a sale through loan participations was ¥8,359 million as of March 31, 2017. This “off-balance sheet” treatment is in accordance with Report No. 3 issued by the Framework Committee of the JICPA on November 28, 2014. The total principal amount of such loans in which the Bank participated was ¥5,927 million as of March 31, 2017.

9. Assets pledged as collateral were as follows:

Cash and due from banks	¥ 10 million
Monetary assets held in trust	14
Securities	541,886
Loans and bills discounted	87,524

Liabilities collateralized were as follows:

Deposits	¥ 1,071 million
Payables under repurchase agreements	36,467
Payables under securities lending transactions	267,414
Borrowed money	265,419
Other presented in other liabilities	15
Acceptances and guarantees	954

In addition, ¥47,770 million of securities were pledged as collateral for transactions, including exchange settlements, swap transactions and replacement of margin for futures transactions.

Also, ¥9,462 million of security deposits and ¥92 million of margin on foreign exchange and ¥11,994 million of cash collateral paid for Zengin-net were included in “Other” presented in “Other assets.”

10. The Bank establishes credit lines for overdrafts and issues commitments to extend credit to meet the financing needs of its customers. The unfunded amount of these commitments was ¥2,981,951 million, out of which the amount with original agreement terms of less than one year or which was cancelable was ¥2,698,792 million.

As a large majority of these commitments expire without being drawn upon, the unfunded amounts do not necessarily represent future cash requirements. Many of such agreements include conditions granting the Bank the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

In addition, the Bank obtains collateral when necessary to reduce credit risk related to these commitments.

11. Accumulated depreciation on premises and equipment was ¥22,715 million.

12. Deferred gains on premises and equipment deducted for tax purposes were ¥30 million.

13. Software in progress of ¥8,026 million were included in Software.

14. Subordinated debt of ¥12,400 million was included in borrowed money.

15. Subordinated bonds of ¥31,400 million were included in corporate bonds.

16. The amount of guarantee obligations for privately-placed bonds (Paragraph 3 of Article 2 of the Financial Instruments and Exchange Act), out of “Japanese corporate bonds” included in the “Securities” stands at ¥1,000 million.

17. Total obligations to the Directors and Audit & Supervisory Board Members stand at ¥73 million.

18. Total monetary claims to subsidiaries and affiliates stand at ¥261,987 million.

19. Total monetary liabilities against subsidiaries and affiliates stand at ¥181,700 million.

20. According to the Article 18 of the Banking Act, there is a limitation on dividends from surplus.

When dividends from surplus are paid out, notwithstanding the provision of Article 445, Item 4 of the Corporation Act (Amounts of Capital and Amount of Reserves), the amount multiplied by 1/5 of surplus to be decreased by such dividends from surplus is accrued as additional paid-in capital or legal reserve.

The amount of legal reserve to be accrued in connection with such dividends from surplus in the current fiscal year was ¥530 million.

21. Projected benefit obligations, etc., at the end of the current fiscal year were as follows:

Projected benefit obligation	¥	(63,418)	million
Fair value of plan assets		67,644	
Unfunded retirement benefit obligations		4,225	
Unrecognized net actuarial losses		(226)	
Unrecognized past service cost		(111)	
Net amount recognized on the balance sheet		3,887	
Prepaid pension cost		3,887	

(Statement of Income)

1. Earnings from transactions with subsidiaries and affiliates

Total interest income: ¥8,749 million

Total fees and commissions income: ¥3,373 million

Total earnings from other businesses and other ordinary transactions: ¥38 million

Total earnings from other transactions: ¥5,172 million

Expenses from transactions with subsidiaries and affiliates

Total interest expenses: ¥243 million

Total fees and commissions expenses: ¥16,891 million

Total expenses from other businesses and other ordinary transactions: ¥370 million

Total expenses from other transactions: ¥2,641 million

2. Gains on debentures derecognized from liabilities of ¥2,852 million were included in “Other ordinary income”.

3. “Other extraordinary gains” comprises gain on redemption of investments in subsidiaries and affiliates of ¥3,864 million and Gain on purchase of loans of ¥4,236 million.

4. “Impairment losses” are impairment losses as for the following asset groups.

Location	Usage	Asset type	Amount (Millions of yen)
Tokyo, Osaka, etc.	Branch and ATMs	Buildings, Other premises and equipment	¥52
Tokyo, Osaka, etc.	IT-related property	Other premises and equipment, Software	67
Total			¥120

The Bank determines the asset group based on the management segmentation.

As a result of consideration of the business environment, the Bank made a decision to close down some of the branches and ATMs for Individual Business and to cease use and development of some software assets, and segregated them as idle assets. Impairment losses for these assets were recognized assuming their recoverable amount to be zero.

In the above impairment loss amount, ¥52 million was for “Buildings,” ¥17 million was for “Other premises and equipment” and ¥49 million was for “Software.”

5. “Other extraordinary losses” is impairment loss on investments in subsidiaries and affiliates of ¥1,077 million and Loss on liquidation of subsidiaries and affiliates of ¥4 million.

6. Significant related-party transactions to be disclosed were as follows:

(1) Parent company and major corporate share holders

Not applicable.

(2) Subsidiaries and affiliates

(Millions of yen)

Category	Name of corporation or organization	Ratio of voting rights held by the Bank	Relation-ship	Details of transaction	Transaction amount	B/S account	Balance at fiscal year end
Subsidiaries	APLUS Co., Ltd.	Indirect holding 100%	Lending	Purchase of beneficial interests (Note 1)	¥100,000	—	¥—
	APLUS FINANCIAL Co., Ltd.	Direct holding 2.9% Indirect holding 92.0%	Deposit	Redemption of preferred shares (Note 2) Redemption amount Gain on redemption	 10,089 3,864	—	—
	Zen-Nichi Shinpan Co., Ltd.	Indirect holding 100%	Lending	Overdraft loan transaction (Note 3)	80,984	Overdrafts	71,500
				Receipt of loan interests (Note 3)	410	Accrued income	1
	Shinsei Fnancial Co., Ltd.	Direct holding 100%	Lending	Guarantee to Bank’s loan assets (Note 4)	249,683	—	—
				Payment of guarantee fees (Note 4)	15,422	Accrued expenses	1,898
				Receipt of dividends (Note 4)	20, 480	—	—

Note:

1. The Bank purchased beneficial interests backed by the monetary claims in APLUS Co., Ltd. The transaction price was determined at a reasonable level according to the market conditions.
2. APLUS FINANCIAL Co., Ltd. acquired 5 million shares of the issued Class G preferred stocks from the Bank. The transaction price is the total of Class G Liquidation Value of 2,000 yen and the Class G Final Dividend. The Class G Final Dividend is calculated by multiplying the Class G

Liquidation Value of 2,000 yen by 1.895% for the period from April 1, 2016 to September 20, 2018 on a pro-rated basis.

3. The lending is for the purpose of business operation. Also, the interest rate is determined at a reasonable level considering the market conditions. Transaction amount of overdraft loan is the average balance during this current fiscal year.
4. Shinsei Financial Co., Ltd. guarantees the unsecured loans to individuals. The guarantee fees were determined at a reasonable level according to the market conditions.

(3) Fellow subsidiaries

Not applicable.

(4) Directors and major individual shareholders

(Millions of yen)

Category	Name of corporation or organization	Ratio of voting rights held by the counterparty	Relation-ship	Details of transaction	Transaction amount	B/S account	Balance at fiscal year end
Corporations and organizations in which a majority of the voting rights is owned by directors or their family members (including their subsidiaries)	J.C.Flowers II L.P. (Note 1)	–	Concurrent post	Investment (Note 2)	23	–	–
				Dividend	195	–	–
	J.C.Flowers III L.P. (Note 1)	–	Concurrent post	Investment (Note 3)	717	–	–
				Dividend	573	–	–

Note:

1. The fund is operated by J.C. Flowers & Co. LLC for which J. Christopher Flowers, director of the Bank, serves as the managing director and chief executive officer.
2. The committed investment amounts are U.S.$ 200 million based on the limited partnership agreement.
3. The committed investment amounts are U.S.$ 34,975 thousand based on the limited partnership agreement.

（Statement of Changes in Equity）

Type and number of treasury stock were as follows:

(Unit: thousand shares)

	Number of shares as of April 1, 2016	Number of shares increased	Number of shares decreased	Number of shares as of March 31, 2017	Note
Treasury stock:					
Common stock	96,429	75,564	10,037	161,955	(Note)
Total	96,429	75,564	10,037	161,955	

Note: The increase of shares is associated with the repurchase from market.

The decrease of shares is associated with the allocation of treasury shares through the share exchange.

（Securities）

In addition to "Securities" on the balance sheet, the figures in the following tables include beneficiary interests included in "Other monetary claims purchased" that are accounted for in the same way as securities.

1. Trading securities (as of March 31, 2017）

(Millions of yen)

	Unrealized gain (loss)
Trading securities	¥(0)
Other monetary claims purchased for trading purposes	5

2. Securities being held to maturity (as of March 31, 2017）

(Millions of yen)

	Type	Carrying amount	Fair value	Unrealized gain (loss)
Fair value exceeds carrying amount	Japanese national government bonds	¥493,562	¥499,156	¥5,593
	Other	2,706	2,870	164
	Subtotal	496,268	502,026	5,758
Fair value does not exceed carrying amount	Japanese national government bonds	-	-	-
	Other	-	-	-
	Subtotal	-	-	-
Total		¥496,268	¥502,026	¥5,758

3. Equity securities of subsidiaries and affiliates (as of March 31, 2017）

There were no marketable equity securities of subsidiaries and affiliates.

Equity securities of subsidiaries and affiliates whose fair value cannot be reliably determined consist of the following:

(Millions of yen)

	Carrying amount
Equity securities of subsidiaries	¥410,427
Equity securities of affiliates	26
Total	¥410,454

4. Securities available for sale (as of March 31, 2017)

(Millions of yen)

	Type	Carrying amount (Fair value)	Amortized/ Acquisition cost	Unrealized gain (loss)
Carrying amount exceeds amortized/acquisition cost	Equity securities	¥20,740	¥9,250	¥11,489
	Domestic bonds:	31,873	31,543	330
	Japanese national government bonds	-	-	-
	Japanese local government bonds	-	-	-
	Japanese corporate bonds	31,873	31,543	330
	Other	141,748	139,028	2,720
	Subtotal	194,362	179,822	14,539
Carrying amount does not exceed amortized/acquisition cost	Equity securities	484	703	(218)
	Domestic bonds:	85,996	87,019	(1,023)
	Japanese national government bonds	-	-	-
	Japanese local government bonds	-	-	-
	Japanese corporate bonds	85,996	87,019	(1,023)
	Other	137,633	139,985	(2,351)
	Subtotal	224,113	227,708	(3,594)
Total		¥418,476	¥407,530	¥10,945

(Note 1) Available-for-sale securities whose fair value cannot be reliably determined

(Millions of yen)

	Carrying amount
Equity securities	¥2,418
Other	46,838
Total	¥49,256

These are not included in the table shown above, since the fair value cannot be reliably determined.

(Note 2) "Unrealized gain (loss) on available-for-sale securities" on the balance sheet consists of the following:

(Millions of yen)

Unrealized gain (loss) before deferred tax on:	
Available-for-sale securities	¥10,945
Interests in available-for-sale securities held by partnerships recorded as securities whose fair value cannot be reliably determined	1,562
Securities being held to maturity, reclassified from available-for-sale in the past, under extremely illiquid market conditions	(172)
Other monetary assets held in trust	(659)
Less: Deferred tax liabilities	2,231
Unrealized gain (loss) on available-for-sale securities	¥9,444

5. Available-for-sale securities sold during the current fiscal year (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Proceeds from sales	Gains on sales	Losses on sales
Equity securities	¥1,145	¥681	¥6
Domestic bonds:	1,082,036	11,402	2,856
Japanese national government bonds	1,007,195	6,412	2,808
Japanese local government bonds	24,055	9	19
Japanese corporate bonds	50,785	4,979	28
Other	658,637	6,343	3,677
Total	¥ 1,741,820	¥18,427	¥6,540

6. Securities for which impairment losses are recognized

In the event individual securities (except for those whose fair value cannot be reliably determined), other than trading securities, experience a decline in fair value which is significant as compared to the acquisition cost of such securities, the securities are written down as the decline in fair value is deemed to be other than temporary, and the difference is recorded as an impairment loss.

There were no impairment losses on such securities for the fiscal year ended March 31, 2017.

The Bank's rules for the determination of whether an other-than-temporary impairment has occurred differ by the obligor classification of the security issuer based upon the Bank's self-assessment guidelines. The details of these rules are as follows:

Securities issued by "legally bankrupt," "virtually bankrupt" and "possibly bankrupt" obligors	The fair value of securities is less than the amortized/acquisition cost

Securities issued by “need caution” obligors	The fair value of securities declines by 30% or more compared to the amortized/acquisition cost
Securities issued by “normal” obligors	The fair value of securities declines by 50% or more compared to the amortized/acquisition cost

“Legally bankrupt” obligors are those who have already gone bankrupt from a legal and/or formal perspective.

“Virtually bankrupt” obligors are those who have not yet legally or formally gone bankrupt but who are substantially in bankruptcy because they are in serious financial difficulties and are not deemed to be capable of restructuring.

“Possibly bankrupt” obligors are those who are not yet in bankruptcy but are in financial difficulties and are very likely to go bankrupt in the future.

“Need caution” obligors are those who are in need of close attention because there are problems with their borrowings.

“Normal” obligors are those whose business conditions are favorable and who are deemed not to have any particular problems in their financial position.

（Monetary assets held in trust）

1. Monetary assets held in trust for trading purposes (as of March 31, 2017)

(Millions of yen)

	Carrying amount (Fair value)	Unrealized gain (loss)
Monetary assets held in trust for trading purposes	¥29,052	¥(5,692)

2. There were no monetary assets held in trust held to maturity (as of March 31, 2017)

3. Monetary assets held in trust other than for trading purposes and held to maturity (as of March 31, 2017)

(Millions of yen)

	Carrying amount	Acquisition cost	Unrealized gain (loss)	Gross unrealized gain	Gross unrealized loss
Other monetary assets held in trust	¥89,820	¥90,480	¥(659)	¥47	¥(706)

Note: “Gross unrealized gain” and “Gross unrealized loss” are components of “Unrealized gain (loss)”.

（Deferred tax）

Breakdowns of deferred tax assets and deferred tax liabilities by reason of their occurrence were as follows.

	(Millions of yen)
Deferred tax assets	
Tax loss carryforwards	¥71,188
Securities	21,113
Reserve for credit losses	19,442
Monetary assets held in trust	7,581
Deferred loss on derivatives under hedge accounting	6,370
Other	12,483
Subtotal	¥138,181
Valuation allowance	¥(130,673）
Total deferred tax assets	¥7,508
Deferred tax liabilities	
Unrealized gain (loss) on available-for-sale securities	2,231
Deferred gain on derivatives under hedge accounting	2,142
Retirement benefit costs	1,190
Asset retirement costs included in premises and equipment	809
Total deferred tax liabilities	¥6,373
Net deferred tax assets	¥1,134

(Per share information)

Common shareholders’ equity per share was ¥311.93.

Net income per common share was ¥16.65.

Diluted net income per common share was ¥16.65.